

Sustainable Everyday Living

Financial Statements and Board of Directors'
Report 1 January-31 December 2020

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Interim report and full-year financial statements

September–December 2020

- Group turnover in September–December 2020 was EUR 162.1 million (EUR 163.6 million in September–December 2019)
- The operating margin (EBITDA) was EUR -4.5 million (EUR 18.6 million), or -2.8% (11.4%) of turnover
- The comparable EBITDA was EUR 15.5 million (EUR 21.0 million). EBITDA includes non-recurring expense items related to the closure of peatlands and the divestment of the subsidiary Nevel totalling EUR -20.0 million (EUR -2.4 million)
- The operating result (EBIT) was EUR -121.4 million (EUR -35.1 million).
- The comparable EBIT was EUR 0.8 million (EUR 5.7 million). In addition to the aforementioned items, EBIT includes non-recurring items related to write-downs of energy peat assets totalling EUR -122.2 million (EUR -40.8 million)
- Earnings per share were EUR -4,014 (EUR -1,074)
- Free cash flow before taxes was EUR -9.7 million (EUR 10.4 million)
- Investments amounted to EUR 33.2 million (EUR 31.5 million).

The sale of Vapo's subsidiary Nevel was closed on 28 January 2021 and Vapo will recognise a tax-free sales profit of approximately EUR 490 million in the result for the first third of the financial year 2021.

January–December 2020

- Group turnover in January–December 2020 was EUR 544.9 million (EUR 533.7 million in January–December 2019)
- The operating margin (EBITDA) was EUR 53.8 million (EUR 78.9 million), or 9.9% (14.8%) of turnover
- The comparable EBITDA was EUR 74.2 million (EUR 75.5 million). EBITDA includes non-recurring expense items related to the closure of peatlands and the divestment of the subsidiary Nevel totalling EUR -20.4 million (EUR +3.4 million)
- The operating result (EBIT) was EUR -95.3 million (EUR -11.2 million)
- The comparable EBIT was EUR 27.5 million (EUR 27.0 million). In addition to the aforementioned items, EBIT includes non-recurring items related to write-downs of energy peat assets totalling EUR -122.8 million (EUR -38.2 million)
- Earnings per share were EUR -3,712 (EUR -667)

- The pre-tax return on invested capital (pre-tax ROIC) was -14.0% (-1.7%)
- Free cash flow before taxes was EUR 39.6 million (EUR 17.1 million)
- Investments amounted to EUR 76.6 million (EUR 79.8 million)
- The equity ratio on 31 December 2020 was 27.9% (42.9%)
- Interest-bearing net debt on 31 December 2020 was EUR 327.7 million (EUR 315.2 million)
- The ratio of interest-bearing net debt to operating margin (net debt/EBITDA) on 31 December 2020 was 6.1 (4.0)

The comparison figures for January–December are unaudited.

The financial year in figures:

	1 January- 31 December 2020	1 January- 31 December 2019	1 May- 31 December 2019
Turnover, EUR million	544.9	533.7	297.7
Operating margin/EBITDA, EUR million	53.8	78.9	37.0
Operating result/EBIT, EUR million)	-95.3	-11.2	-40.4
Comparable operating profit excluding non-recurring items, EUR million	27.5	27.0	-2.5
Profit/loss for the period, EUR million	-108.1	-19.3	-40.2
Earnings per share	-3,712	-667	-1,320
Pre-tax return on invested capital, %	-14.0	-1.7	-1.7
Free cash flow before taxes, EUR million	39.6	17.1	21.0
Equity ratio %	27.9	42.9	42.9
Interest-bearing net debt/operating margin	6.1	4.0	4.0
Energy peat deliveries (TWh)	7.0	9.1	4.4
Wood fuel deliveries (TWh)	3.2	3.6	2.1
Heating deliveries (TWh)	1.5	1.6	0.7
Accident frequency*	7.2	6.7	6.7

* Accident frequency=number of accidents requiring a visit to occupational health services/million working hours

EUR million	Comparable 2020	Items affecting comparability	Total
Items affecting comparability			
Gains/losses on disposals		1.3	
Impairment		-1.5	
Restructuring		-7.3	
Other items		-12.8	
EBITDA	74.2	-20.4	53.8
Gains/losses on disposals		1.8	
Impairment		-104.2	
Operating profit	27.4	-122.8	-95.3
Financial income and expenses	-12.5		-12.5
Profit/loss before taxes	14.9	-122.8	-107.8
Income taxes	-0.3		-0.3
Profit/loss for the period	14.7	-122.8	-108.1

Vapo in brief

Vapo is an international conglomerate whose businesses promote clean, local and water-conserving food production, supply local fuels and provide heating and steam production solutions. Vapo Group also develops new products for the purification of contaminated environments and creates well-being by providing jobs, recycling and by creating comfortable living environments.

Vapo Group also includes the subgroup Kekkilä-BVB, which is the European market leader in growing media products. The company produces garden soils, mulches and fertilisers for professional growers, consumers and landscapers in Finland under the Kekkilä brand, in Sweden under the Hasselfors Garden brand and in the Netherlands under the BVB Substrates brand.

Vapo is also a leading bioenergy company in Finland, Sweden and Estonia. The product and service selection developed for Vapo's energy

customers consists of local fuels, such as peat, pellets and forest fuels as well as added value services related to energy production. Vapo is an important part of the local energy infrastructure in all of its markets.

For the entire financial year 2020, Vapo also owned the subsidiary Nevel, which has combined heat and power plants and approximately 150 heating plants. The divestment of Nevel was announced on 2 November 2020 and the transaction was closed on 28 January 2021. Vapo announced that it will recognise a sales profit of approximately EUR 490 million from the sale of Nevel in T1/2021.

Vapo Group's New Businesses division develops new business solutions based on the strengths of the Group companies. The Group's latest higher added value business is Activated Carbons, which aims to make a quick entry into the grow-

ing international market for technical carbons. The new higher added value businesses currently in development by the Group also include Vapo Refinery, which focuses on separating other useful minerals from peat before its use in growing media and activated carbon products.

Vapo Group had an average of 1,031 employees during the financial year. At the end of the financial year, Vapo Group had 1,018 employees. The company also employs hundreds of local contractors in the fuel production and supply chain.

More information about the company:
www.vapo.com.

CEO's review

Vesa Tempakka: **Reassessment of strategy as the operating environment changes**

Vapo has successfully executed its Group strategy defined in 2019. The cornerstones of the strategy have been to grow the Group's business in the international growing media market targeted at professional growers, launch new high added-value products refined from peat based on Vapo's own research and product development activities and, in the energy business, achieve a purposeful transition from the role of fuel supplier to a provider of infrastructure services for municipalities and industrial operators. The aim of the strategy has been for the aforementioned business areas to compensate for the decline in turnover, operating margin and cash flow caused by the falling demand for energy peat.

The price of emission rights settling permanently at a level of above EUR 30 reduced the use of energy peat in Finland in 2019 by approximately

one-fifth. The extensive political debate around energy peat and the increase in taxes on energy peat introduced in autumn 2020 have together led to a situation where, according to the current view, the use of energy peat will reduce by half from the 2019 level already the year 2023.

Vapo has continued to re-evaluate its strategy in response to the declining demand for energy peat. The sharp decline in demand will also lead to the Group's cash flow in the next few years not being sufficient to support the international growth strategy in the growing media market, the necessary higher value adding product development investments and the production investments required by new products and the energy business. The declining demand for energy peat also forced Vapo to recognise a write-down of approximately EUR 100 million on its energy peat reserves in autumn 2020 as well as recognise expenses associated with continuing obligations related to decommissioned peatlands.

These measures taken weakened company assets significantly. As the outcome of this evaluation, Vapo decided to sell its heat and power business to Ardian. The transaction price was approximately EUR 656 million, which will enable Vapo to strengthen its balance sheet to move forward with the investments required by Kekkilä-BVB and new businesses.

Even a strong balance sheet will not compensate for the decrease in cash flow in the next few years caused by the divestment of Nevel and the declining demand for energy peat, as the new businesses will only start to bring in significant turnover after 2023. During the past two years, the Group has improved its operational efficiency by about EUR 30 million. The Group also commenced a new cost saving programme at the beginning of 2021 with a target of achieving approximately EUR 25 million in additional savings over the next two to three years.

2020 was a year of accelerated change

The most significant and unexpected change in 2020 was the COVID-19 pandemic. As consumers in all markets switched to remote work, they had more time for recreational activities. This was reflected in an exceptional increase in the demand for gardening products in the consumer segment. The demand for products targeted at professional growers also increased after an initial shock in the spring. The turnover of Vapo's Grow&Care division increased year-on-year by nearly 20 per cent, approximately EUR 50 million. The division's operating margin was EUR 34 million, representing an increase of nearly EUR 11 million compared to the previous year. Nevertheless, COVID-19 also presented challenges to business operations. Cross-border logistics became more difficult and production facilities, offices and laboratories were forced to implement a variety of special arrangements that resulted in delays and additional costs. New customer acquisition was also complicated by the travel restrictions.

The year 2020 will be remembered as a watershed in Vapo's history. The year was the warmest on record in Vapo's operating countries. This was reflected in a very sharp decline in turnover in the fuel and energy businesses. In the fuel business, challenges were created not only by the declining demand for energy peat but also the low price of natural gas, which incentivised large pellet customers to switch from pellets to natural gas. Consequently, there was a decline in the turnover of Vapo's Energy division of EUR -40 million and of the operating margin reduction of nearly -50 per cent..

A third significant development during the year was the completion of Vapo's first activated carbon production facility in Ilomantsi. The production facility is scheduled to be in commercial operation by summer 2021. The COVID-19 pandemic and delivery difficulties with the primary equipment supplier have caused delays in commissioning the production facility.

The Group's free cash flow improved year-on-year. The most significant reasons behind this were the successful cost saving programme, income of approximately EUR 10 million earned from the sale of land areas and measures taken to improve the turnover of capital.

On the whole, the Group's financial performance during the year was almost satisfactory in difficult circumstances. The Group's turnover was two per cent higher than in the previous year and the comparable operating margin was nearly at the previous year level. Due to write-downs associated with the decommissioning of peatlands and the recognition of costs related to the continuing obligations concerning the peatlands, the full-year operating result showed a substantial loss.

In the area of corporate responsibility, we have made good progress towards our main targets. The target we set last year of reducing the Group's CO₂ emissions by half by 2025 will be

achieved ahead of schedule. As regards social responsibility, I wish to highlight our good performance in the international Great Place to Work assessment. The employee confidence index increased by 5 per cent year-on-year and was 68. This is an excellent result in a highly exceptional operating environment in which the employees have had to adopt new operating practices and demonstrate a great deal of flexibility to enable us to meet the expectations of our customers.

However, the changes are not finished. They are only just beginning. This year, we will continue to execute our strategy in our selected growth areas. Over the next few years, our aim is to make up for the turnover and profitability that were lost as a result of the divestment of Nevel. The next two years will be challenging, but I am confident that the stronger balance sheet we will be working with following the divestment of Nevel in January 2021 and the measures we have begun during the past few years will make our ambitious targets achievable.

Board of Directors' report 1 January–31 December 2020

Operating environment

Vapo Group's operating environment was unpredictable in 2020. In Finland, Sweden and Estonia, it was the warmest year on record. This was reflected in a substantial decrease in fuel and energy deliveries. Wholesale electricity prices in the Nordic electricity markets were the lowest in 14 years. In addition to the warm weather, the operating environment was influenced by the pandemic that broke out in spring 2020 and led to a global macroeconomic downturn. The economic slump reduced the demand for energy among industrial customers and decreased the prices of oil and natural gas. The decline in the price of natural gas was the most relevant to Vapo Group, as natural gas and pellets are competing fuels for many large-scale plants.

The early spring and warm weather had a favourable impact on the Group's business in other areas. In the gardening industry, the peak season of product deliveries began exceptionally early.

The single most significant phenomenon that affected the Group as a whole was the global

COVID-19 pandemic that broke out in spring 2020. The need to prepare for the pandemic and prevent infections caused a number of special measures across the Group. When the pandemic began, the Group immediately implemented precautionary measures at least at the level recommended by the authorities in each operating country. The number of personnel at office properties was restricted from March onwards. For all jobs that can be performed remotely, remote work was recommended for the rest of the year. At the same time, all non-essential movement at the Group's production plants, heat and power plants and other operating locations was restricted to the bare minimum level. Vapo Group was successful in its measures to combat the pandemic. During the year, only a very small proportion of the Group's approximately 1,000 employees contracted COVID-19. Remote work forced the organisation to quickly adopt various changes in work and meeting procedures. The transition from in-office work to digital remote work went smoothly in spite of it having to be carried out very quickly.

One very significant external factor for Vapo Group during the year consisted of changes in the operating environment related to the Energy business. Over a period of two years, the price of emission rights has increased from less than EUR 10 per tonne of carbon to the current level of over EUR 30. For 1 MWh of energy produced from energy peat, this means an additional cost of more than EUR 12 in addition to the energy tax.

The increase in the price of emission rights alone has reduced the use of energy peat much faster than the target set by the Finnish Government of halving the use of energy peat by 2030. The political debate around energy peat was more active than ever during the year.

In spite of Vapo, many other energy sector operators and the Finnish Forest Industries Federation repeatedly stating that the energy peat industry does not require additional measures to reduce the use of energy peat, the Finnish Government decided to double the taxes on energy peat starting from January 2021. This decision had the

immediate effect of further steepening the decline in the demand for energy peat.

Vapo Group

The Group's result for the financial year 1 January–31 December 2020 declined substantially year-on-year and amounted to EUR -108.1 million. The result for the financial year was weighed down by significant non-recurring write-downs of approximately EUR 100 million and the related recognition of non-recurring expenses, mainly arising from obligations associated with the energy peat business, as well as the costs arising from the divestment of the subsidiary Nevel. The write-downs and the recognition of the related costs were caused by the accelerated decline in the demand for energy peat and the consequent significant decline in future energy peat production. This also led to the recognition of costs related to the premature decommissioning of production sites as well as future environmental obligations related to the sites in question. The advisory fees related to the Nevel divestment were also recognised as expenses for the financial year 2020. The estimated profit of approximately EUR 490 from the sale of

the subsidiary Nevel will be recognised in T1/2021 as previously announced because the transaction was completed on 28 January 2021. In the financial statements, Nevel is treated as an asset held for sale.

Turnover grew by 2% year-on-year to EUR 544.9 million (EUR 533.7 million). The increase in turnover was mainly attributable to Kekkilä-BVB achieving sales growth of nearly 20 per cent compared to the previous year.

The Group's operating result was EUR -95.3 million. The comparable operating result remained on a par with the previous year at EUR 27.5 million. The previous financial year's comparable operating result excluding non-recurring items was EUR 27.0 million. The comparable result remaining on a par with the previous year was attributable to the strong demand for Kekkilä-BVB products and the efficiency improvement measures taken throughout the Group. The result was negatively affected by the exceptionally warm year and the steep decline in the demand for energy peat, which also made it necessary to terminate a number of production subcontracting agreements.

The measures taken to increase the efficiency of working capital were reflected in a substantial improvement in operating cash flow (free cash flow before financial items and taxes), which amounted

to EUR 39.6 million (EUR 17.1 million) for the financial year.

The Group's key figures declined during the financial year due to the write-downs of energy peat assets, costs recognised in relation to the continuing obligations associated with decommissioned peatlands and the costs incurred from the Nevel divestment. The Group's equity ratio stood at 27.9 per cent (41.5%) at the end of the financial year, while the ratio of net debt to operating margin was 6.1 (4.0).

The COVID-19 pandemic affected the Group's divisions in very different ways. The pandemic had barely any direct effects on the Energy division. It merely delayed pending or planned new customer projects due to visits to Vapo's own plants and customer plants being restricted to a minimum.

In the Grow&Care division, the pandemic closed borders and initially complicated transport operations in Central Europe and Scandinavia right as the professional growing season was beginning. The pandemic also interrupted the Group's actions aimed at opening new export markets in China and the US for several months.

The most surprising effect of the pandemic was the very strong growth in the demand for gardening products in the amateur grower segment.

When people switched to remote work and nearly all recreational activities were restricted, gardening as a hobby saw unprecedented growth in Sweden, Finland and Central Europe. The warm spring boosted the start of the season, and the peak season in the gardening business remained exceptionally strong throughout the summer. There were even difficulties in meeting market demand in the case of certain products.

The pandemic delayed and complicated the construction of the activated carbon production facility in Ilomantsi. A large number of workers from different countries worked construction and installation jobs at the site. Preventing infections required various special arrangements and the precautionary quarantine measures delayed construction to some extent. In addition, our main equipment supplier has had significant delays in deliveries, which have delayed the schedule of the project as a whole. In our product development activities, the most significant negative impact of the pandemic was having to stop or slow down the operations of our product development laboratories in Central Europe when the pandemic was at its worst.

Due to the uncontrollable decline in the demand for energy peat, Vapo commenced a cost saving programme in the autumn and carried out write-downs of approximately EUR 100 million, mainly

allocated to prematurely decommissioned peat production areas and their undepreciated infrastructure.

The rapid decline in the demand for energy peat forced Vapo to assess its business strategy in light of the changed circumstances. To ensure its ability to respond to the balance sheet challenges created by write-downs and continue to execute its chosen growth strategy in the international growing media markets and new businesses, Vapo Group sold Nevel – a subsidiary that focuses mainly on energy infrastructure and operates in Finland, Sweden and Estonia – to Ardian.

Developments by business segment

The reporting segments comprise the Group's divisions in accordance with Vapo's management model. Vapo Group's reporting segments are Energy, Grow&Care, New Businesses and other activities.

Energy

The Energy division is responsible for the energy and fuel solutions provided by Vapo Group in Finland, Sweden and Estonia. We provide energy producers with peat, wood and pellet fuels as well as the most advanced remote operation services in the industry. We serve our pellet customers through our own sales service as well as our online store. Under the Nevel brand, we produce

heat and steam as a service for our industrial and municipal customers at six power plants and approximately 150 heating plants. For our consumer customers, we supply district heating in more than 35 district heating networks. The division's turnover for the financial year that ended in December 2020 amounted to EUR 245.9 million, with renewable biofuels and energy solutions representing more than half of this total.

The global COVID-19 pandemic was a phenomenon that had an impact on the entire Group in 2020. For the Energy division, the direct impacts of the pandemic were minor. 2020 was the warmest year on record in Vapo's Energy division's operating countries - Finland, Sweden and Estonia - and this was reflected in a substantial decrease

in fuel and energy deliveries. In the fuel business, challenges were created not only by the declining demand for energy peat but also the low price of natural gas. Wholesale electricity prices in the Nordic electricity markets were the lowest in 14 years. Turnover in the final third of the financial year (September-December) was EUR 85.6 million (EUR 103.7 million). The operating result for the reporting period was EUR -103.1 million (EUR -27.0 million). Investments amounted to EUR 8.0 million (EUR 21.6 million).

Turnover for the full financial year was EUR 245.9 million (EUR 149.1 million). The operating result was EUR -90.6 million (EUR -39.4 million). The operating result includes non-recurring items in the amount of EUR -111.9 million (EUR -38.9 million).

The significant non-recurring items mainly consisted of write-downs of energy peat production areas and expenses recognised in relation to the continued environmental obligations associated with those areas.

The decline in the demand for energy peat continued. The declining demand was reflected in peat deliveries in the final third of the year, as they were nearly 30 per cent lower than in the comparison period. The extensive political debate around energy peat, the increase in taxes on energy peat introduced in autumn 2020 and other decisions that have reduced the competitiveness of energy peat have together led to a situation where, according to the current view, the use of energy peat will reduce by half from the 2019 level in a matter of just a few years. Due to the decline in the demand for energy peat, the Group had to recognise a write-down of approximately EUR 100 million on its energy peat assets in the final third of 2020 as well as recognise non-recurring costs of approximately EUR 14 million related to ongoing obligations associated with peatlands. The warm weather and lower price of natural gas, in turn, reduced the demand for wood chips and pellets. The year-on-year decrease in total fuel deliveries was approximately 26 per cent in the final third of the year and 20 per cent for the year as a whole.

Vapo Oy announced in June 2020 that it will begin mapping out strategic options for its heat and power businesses incorporated as Nevel. In November 2020, Vapo announced it would sell its heat and power business to the French company Ardian. The competition authorities approved the transaction at the end of 2020 and the transaction was closed in January 2021. The year being the warmest on record had a direct impact on Nevel Group's business, with heating deliveries declining by approximately 7 per cent in the final third of the year and 5 per cent for the year as a whole.

Grow&Care

The Grow&Care division's Kekkilä-BVB is Europe's leading and most versatile growing media operator in the professional grower, landscaping and consumer segments. We specialise in the development, production and marketing of high-quality growing media, mulches and fertilisers for landscapers, professional growers, distributors and home gardeners. In addition, peat is supplied as bedding peat to horse farms, cattle farms, pig farms and poultry producers. As the world's largest producer of agricultural peat, we supply agricultural peat as a raw material for further processing around the world, and responsibility is an integral part of all of our activities.

Energy

	9-12/2020	9-12/2019	Change	1-12/2020	1-12/2019	Change	5-12/2019
Turnover (EUR million)	85.6	103.7	-17.4%	245.9	289.5	-15.1%	149.1
Operating profit (EUR million)	-103.1	-27.0	-281.7%	-90.6	-12.0	-655.0%	-39.4
Investments (EUR million)	8.0	21.6	-62.9%	21.1	56.8	-62.9%	30.3
Number of employees	362	351	3.1%	371	364	1.9%	366
Energy sales, peat (GWh)	2,170	3,093	-29.9%	6,992	9,058	-22.8%	4,360
Energy sales, other fuels (GWh)	1,157	1,374	-15.8%	3,161	3,600	-12.2%	2,126
Heat and steam sales (GWh)	547	585	-6.5%	1,521	1,601	-5.0%	668

The division's well-known brands, Kekkilä Garden and Hasselfors Garden, offer products to home gardeners and landscapers in the Nordic countries and Estonia. In the Central European markets, our consumer products are sold under the Jardino and Florentus brands and under retailers' private labels. In the professional growing media business, the BVB Substrates and Kekkilä Professional brands are focused not only on the home markets but also the global markets with exports to more than 100 countries.

Turnover in the final third of the financial year (September-December) was EUR 77.0 million (EUR 60.0 million). The operating result was EUR -6.0 million (EUR -4.8 million). The result for the reporting period includes non-recurring items in the amount of EUR -2.3 million (EUR -1.5 million). The division's gross investments were EUR 10.8 million (EUR 8.5 million).

Turnover for the full financial year grew by nearly 20 per cent year-on-year and amounted to EUR 299.9 million (EUR 250.2 million). The significant year-on-year growth in turnover was mainly attributable to the exceptional demand caused by COVID-19, especially in the consumer and raw material businesses. The exceptional circumstances have forced people to stay home, giving them more time and opportunities to focus on gardening.

The operating result doubled to EUR 14.0 million (EUR 7.0 million). The result for the financial year included non-recurring expenses in the amount of EUR -1.6 million (EUR -2.6 million). At comparable figures, the consumer and raw material businesses saw significant growth due to the exceptional demand caused by COVID-19. The exceptional circumstances caused the most challenges to our professional grower business, where growth compared to the previous year was lower than expect-

ed. The division's gross investments were EUR 25.4 million (EUR 14.0 million).

New Businesses

The New Businesses division creates new products and innovations based on the Group's competencies and raw material resources as well as emerging customer needs. The goal is to produce sustainable new business that will increase our shareholder value in the long run. Vapo Ventures also coordinates the Group's innovation and IPR activities.

Vapo's multi-year Refinery product development programme was granted significant financial support by Business Finland at the start of the year. The funding enabled Vapo to allocate additional research resources to the chemical refining of organic wetland biomass to produce humic acids, waxes, resins and other valuable materials. The

humus project targeted at the biostimulant market progressed to the development of commercial products, test cultivation in cooperation with customers and preliminary planning for a production facility.

In the Carbons business, construction began in spring 2019 in Ilomantsi on a strategically significant production facility to process activated carbon. The production facility is scheduled to be mechanically completed in early spring 2021 and in commercial production by summer 2021. The employment effect of the construction stage is more than 100 person-years and the constant employment effect of the first stage of the facility, including the supply and production chain, is roughly 50 persons. Vapo's activated carbon products will be sold under the Novactor brand. The demand for the products is estimated to be very strong and the first commercial agreements are promising.

Grow&Care

	9-12/2020	9-12/2019	Change	1-12/2020	1-12/2019	Change	5-12/2019
Turnover (EUR million)	77.0	60.0	28.3%	299.9	250.2	19.8%	150.1
Operating profit (EUR million)	-6.0	-4.8	-25.2%	14.0	7.0	101.4%	-0.5
Investments (EUR million)	10.8	8.5	27.0%	25.4	14.0	81.5%	11.2
Number of employees	540	524	3.0%	545	559	-2.5%	547

New Businesses

	9-12/2020	9-12/2019	Change	1-12/2020	1-12/2019	Change	5-12/2019
Turnover (EUR million)	0.8	0.4	104.0%	2.4	1.8	32.4%	0.0
Operating profit (EUR million)	-1.6	-1.0	-52.2%	-3.3	-2.0	-65.3%	-1.6
Investments (EUR million)	14.4	5.4	166.1%	28.0	9.4	198.6%	7.1
Number of employees	29	20	46.8%	26	18	15.8%	19

The pandemic has delayed and complicated the construction of the activated carbon production facility in Ilomantsi. A large number of workers from different countries have worked construction and installation jobs at the site. Preventing infections has required various special arrangements and the precautionary quarantine measures have delayed construction to some extent. In addition, our main equipment supplier has had significant delays in deliveries, which have delayed the schedule of the project as a whole.

The operating loss for the final third of the financial year was EUR -1.6 million (EUR -1.0 million). Gross investments were EUR 14.4 million (EUR 5.4 million).

The operating loss for the full financial year was EUR -3.3 million (EUR -1.6 million). Gross investments were EUR 28.0 million (EUR 7.1 million).

Other activities

The other activities segment consists of costs that are not allocated to the Vapo Group's business

Other

	9-12/2020	9-12/2019	Change	1-12/2020	1-12/2019	Change	5-12/2019
Turnover (EUR million)	0.0	0.0	-31.0%	0.1	0.1	1.0%	0.1
Operating profit (EUR million)	-10.9	-2.3	-365.3%	-15.0	-12.1	-24.0%	0.9
Number of employees	87	115	2.0%	90	113	15.1%	117

units. These costs are related to the Group's administrative activities, supply chain management, M&A activities and support functions.

The other activities segment's effect on the operating result in September–December was EUR -10.9 million (EUR -2.3 million).

The other activities segment's effect on the operating result for the full financial year was EUR -15.0 million (EUR 0.9 million). This is significantly influenced by a non-recurring item of EUR -10.0 million that is mainly attributable to costs associated with the Nevel divestment. The figure for the comparison year includes EUR 4.9 million in revenue recognised in August 2019 related to discontinued business operations.

Cash flow, investments and financing

The Group's free cash flow before taxes for the period 1 January–31 December 2020 amounted to EUR 39.6 million (EUR 17.1 million). Free cash flow was significantly improved by measures to increase

the efficiency of working capital. The change in working capital affected cash flow by EUR 44.8 million (EUR 10.3 million).

Gross investments in the financial year were EUR 76.6 million (EUR 79.8 million), or 162.3 per cent of the amount of depreciation (156%). The most significant investments during the financial year were allocated to the start-up of the Carbons business. Investments were also allocated to capacity expansion, energy efficiency investments and reducing the use of fossil fuels in the heat and power business as well as environmental protection and field maintenance in the peat production business. Net investments (gross investments – asset sales) totalled EUR 59.1 million (EUR 58.9 million).

Geographical information 1-12/2020

EUR	Turnover by country	Long-term assets	Investments
Finland	267,983	176,133	46,446
Sweden	84,531	178,194	5,053
The Netherlands	74,060	99,357	12,059
Germany	34,512	2,350	1,011
Estonia	11,131	31,564	12,019
Other Nordic countries	3,060		
Other European countries	36,899	587	
North and South America	8,484		
Other countries	24,254		
Group total	544,913	488,185	76,588

The Group's liquidity remained good during the financial year in spite of the money market disruptions caused by the COVID-19 pandemic. All financial obligations were fulfilled in accordance with the relevant agreements. The Group redeemed EUR 20.1 million of its hybrid notes prematurely in accordance with a release issued on 26 June 2020. Interest-bearing net debt at the end of the financial year amounted to EUR 327.7 million (EUR 315.2 million). The ratio of interest-bearing net debt to operating margin (net debt/EBITDA) on 31 December 2020 was 6.1 (4.0). The operating margin was weighed down by non-recurring items totalling EUR 20 million, consisting mainly of cost provisions allocated to peat production in relation to the continued obligations pertaining to decommissioned

peatlands as well as advisory fees reserved for the Nevel transaction.

Short-term interest-bearing debt amounted to EUR 58.1 million (EUR 46.5 million). The equity ratio at the end of the financial year was 27.9 per cent (42.9%). Of Vapo's long-term interest-bearing debt, 17 per cent is covered by a covenant related to the company's equity ratio. Vapo met the covenants and other terms associated with financing agreements at the end of the review period, taking into account the waiver agreements concluded with financing partners, pursuant to which the Group's equity ratio can temporarily fall below 35% (but remain above 25%). The equity ratio was substantially influenced by significant non-recurring write-downs related to peat production. The Group's equity ratio subsequently returned to a level above 35% following a profit recognised on the sale of Nevel Oy's shares in January 2021. Bonds also include a change of control clause but they do not include a financial covenant.

The consolidated balance sheet total was EUR 758.5 million (EUR 829.3 million). The Group's net financing items were EUR -12.5 million (EUR -7.8 million). Net financing items were -2.3% (-2.6%) of turnover. Net gearing was 158.0% (93.4%). Net gearing was negatively affected by significant write-downs associated with peat production. Later, the sale of shares in the subsidiary Nevel

Oy reduced the gearing ratio in January 2021 to a level substantially below the level reported for the financial year 2019.

Natural seasonal fluctuation in activities

The Group's Energy business is cyclical to a significant extent due to seasonal variation in the demand for heating. The temperatures during the financial year were historically warm, which led to a substantial reduction in the sales of heating and fuels. The final third of the year, from September to December, is usually a significant heating season in our operating countries.

The Grow&Care division's growing media business is also sensitive to seasonal fluctuations, with demand peaking from late spring to early summer. In September–December, sales are mostly focused on products sold to professional growers, while the retail channels play a larger role in the spring–summer season. Growing media raw material sales are more stable throughout the year.

Notable risks and uncertainty factors

Regulation

The total consumption of energy peat in Finland amounted to 15,640 TWh in 2019. The Government Programme sets out a goal of halving the use of energy peat by 2030. Based on a demand

forecast collected by Vapo Oy from its customers, this halving will happen as soon as 2023. In 2025, energy peat consumption is estimated to be only 4,630 TWh, which would put peat consumption at less than 30% of the volume seen in 2019.

Vapo's energy peat sales fell below EUR 100 million for the first time in 2020. The year-on-year decline in energy peat sales was approximately 20% for the second consecutive year. The most significant reasons behind this decline include energy peat taxes being increased from EUR 3.00 to EUR 5.70 effective from the start of the year and the price of emission rights, which rose from approximately EUR 27 per tonne of carbon in autumn 2020 to as much as EUR 38 per tonne of carbon. The price of emission rights per one MWh of energy produced from energy peat now exceeds EUR 12.

Energy peat has been primarily replaced by wood. Unfortunately, the wood it has been replaced by is increasingly imported wood chips, which are transported to Finland from Russia and on ships from further away. At the current tax levels and prevailing prices of emission rights, energy peat is a substantially more expensive fuel for customers than wood chips and pulp wood. The price of energy peat is already approaching the price of large-diameter wood.

Risks related to agricultural peat

With respect to agricultural peat, there are signs of political moves in Europe towards tighter regulation. The most significant threats to the agricultural peat business include restrictions on the use of peat, unexpected changes in legislation concerning peat and more negative attitudes towards the use of peat in the retail sector.

To manage these risks, it is essential to provide transparent information on the environmental impacts of the use of peat and for the industry to actively produce and share objective information and emphasise peat's role in greenhouse farming and global food production. The active promotion of recycling solutions and responsible peat production methods as well as the restoration of peat production areas play a very important role in the general acceptability of the use of peat.

Risks in the activated carbon business

The most significant risk related to the activated carbon business concerns the successful commissioning of the first production facility in Ilomantsi before summer 2021. This involves a mechanical functional risk as well as end product quality risk.

Vapo's peat-based raw material for activated carbon, sold under the Novactor brand, also involves an approval risk related to the non-fossil require-

ment. However, the production facility in Ilomantsi is designed to have the capacity to use other raw materials for the production of activated carbon, if necessary.

Market risks

Vapo's businesses are subject to significant market risks related to end product demand as well as the prices and availability of raw materials.

The demand for wood-based raw materials has grown significantly in the international markets as customers seek environmentally friendly alternatives. Imports of wood-based raw materials from outside of Europe have also increased. As the market grows, the availability of appropriately priced raw material in relation to the price of the end product plays a key role in ensuring competitiveness. The pellet market is also affected by Brexit and the potential subsequent reshaping of the UK's energy and climate policy as well as changes and disturbances in international trade.

Weather risks

Weather is a risk that has extensive effects on Vapo's business. In winter, the temperature affects the customers' fuel requirements. In spring, the weather conditions also determine the timing of the peak season in the gardening trade, which affects the profit performance for the full year. During summer, the effects of weather concern

the production volumes and quality of wood fuels and environmental products.

In summer 2020, peat production went as planned in Finland, Sweden and Estonia.

Damage risks

Damage risks include occupational safety risk, property risk, interruption risk and environmental risk. Vapo aims to prevent damage risks through proactive risk management measures and by reacting quickly to any observed hazards. Risks that cannot be managed by the company's own actions are insured where possible. The goal is to continuously promote a positive culture of occupational safety and asset protection throughout the organisation. Extensive investments in changing the organisation's safety culture are already being reflected in a reduced number of accidents and lower accident frequency as well as an increase in safety observations and related improvement measures throughout Vapo Group.

Financing and commodity risks

The company manages its financing risk and maintains liquidity by balancing the proportional share of short-term and long-term loans and the repayment schedules of long-term loans. In addition, the risk related to the availability and price of financing is managed by diversifying fundrais-

ing between different banks and financial instruments.

The company's main financial risks are currency risk, interest rate risk and liquidity risk. The Group treasury, guided by the financial policy ratified by the Board of Directors, is responsible for identifying and managing financial risks. The Group's risk management tools include currency derivatives, currency swaps, foreign currency loans and commodity derivatives.

Research and development

The Group's research and development investments during the financial year 1 January–31 December 2020 amounted to EUR 27.2 million (EUR 10.7 million), which corresponds to 5.0 per cent of turnover (3.5%). Research and development activities were focused on supporting the company's strategic renewal in all of the Vapo Group companies.

The New Businesses division develops and commercialises Vapo's new businesses based on the company's strengths, emerging customer needs, raw material resources, competencies and networks. The aim is to find solutions based on the sustainable use of natural resources to increase the refining rate and produce new products and services. One example is Vapo Novactor, an initiative focused on activated carbon products that

has already progressed to the business stage. The division is also responsible for the Group's innovation and IPR management.

The **Vapo Refinery product development programme** aims to accumulate international turnover through the use of peatland biomass. High value-added products made of peat and moss carry enormous future potential because of the worldwide need for new ways to promote sustainable food production and water and air purification as well as to replace harmful chemicals, oil-based products and plastics. In the Vapo Refinery vision, raw materials and side stream products are comprehensively utilised in accordance with the circular economy principle.

The Group's innovation and IPR strategy are geared towards the Group's goal of developing its existing businesses and creating new business. The strategy also governs the management and protection of tangible and intellectual property developed by the Group. The key measures include developing the competence of the personnel, fostering a culture of innovation and taking proactive measures to protect intellectual property.

Environmental responsibility

Vapo is committed to continuously improving its operations and developing its environmental ef-

forts. We want to be recognised as a responsible and sustainable company wherever we operate. **Vapo Group's long-term sustainability targets and environmental strategy were updated and approved** in 2019: we will reduce our emissions to waterways as well as our climate emissions, use natural resources sustainably, improve material efficiency, reduce waste and ensure that our offices are environmentally friendly. Each of Vapo's businesses has an annually updated environmental programme in accordance with the environmental strategy. The environmental programmes specify the most significant aspects of environmental responsibility along with annual environmental targets. We also provided an online course on the management of environmental matters to all of our personnel, with 408 employees (38% of the Group's personnel) completing the course in 2020.

We developed a **peat sustainability concept** particularly for use by our new businesses. This included documenting peat production methods, obligations and monitoring in Finland, Sweden and Estonia. Last year, we submitted six new certification applications to the Responsibly Produced Peat (RPP) organisation. When these applications have been approved, Vapo's RPP-certified peat sites will expand from 548 hectares to 3,319 hectares to respond to the needs of Kekkilä-BVB's customers.

We continued to carry out self-initiated environmental impact inspections at peat production areas. Contractors in Vapo's Finnish peat production operations inspected water treatment structures in four-week intervals during the production season. In addition, 14 (17) environmental inspectors recruited for the summer season inspected water treatment methods and other aspects related to environmental permit conditions at all operating locations currently in production. In 2020, Centres for Economic Development, Transport and the Environment made 119 (120) inspection visits to Vapo's peat production sites in Finland.

By using continuously operating measurement devices, Vapo Group has accumulated extensive data over time and from several regions regarding water quality and the environmental load of peat production. The data has enabled accurate quantitative analyses that were used in a study conducted by the University of Tampere and Vapo in 2020 to assess the accuracy of the currently used monitoring method – manual sample-taking – in evaluating emissions. The study showed a strong correlation for manual and continuous measurement (0.96 for CODMn, i.e. humus, and 0.90 for solid matter), indicating that the currently used emission monitoring method based on manual sample-taking is a highly reliable method for determining the annual emissions of peat production. As part of the study, a method based

on a learning algorithm was also developed to optimise the timing of sample-taking and make the assessment of annual emissions as accurate as possible given a certain number of measurements per year. Based on the study, the optimal measurement times are in spring and autumn when the flow rates are the highest. When the site-specific flow rate can be determined on a continuous basis, 3–6 correctly timed measurements provide a reliable estimate of the overall environmental load at most production areas. The data obtained from the study enables us to achieve significant cost savings in monitoring environmental load while maintaining a high level of accuracy and reliability.

In accordance with its environmental permit application principles, Vapo only applies for new production permits for ditched peatlands. Vapo Group's (Finland, Sweden, Estonia) environmental investments in peat production areas in 2020 amounted to EUR 0.3 million (EUR 0.8 million) and were primarily related to improving and building water treatment structures at peat production sites. Excluding Vapo's own personnel's input, environmental protection costs for the financial year amounted to EUR 14.4 million (EUR 16.1 million). The costs primarily consisted of the maintenance of water treatment structures in peat production and impact monitoring.

Vapo Group's **active peat production areas** (Finland, Sweden, Estonia) in summer 2020 totalled approximately 29,200 (40,600) hectares, with Finland accounting for 20,550 (33,500) hectares of the total, including stacking areas. A total of 374 (454) hectares of new peatlands became ready for production in Finland and 8,700 (5,289) hectares were released from production by the end of the financial year. In Sweden, 204 (76) hectares of peat production areas were released from production.

Vapo moved to the **post-production after-care stage** at just over 100 peat production areas and the closure of production areas at peatlands was one of the key projects in the Group's peat operations in 2020. The reasons behind the transition included the declining demand for energy peat and our customers shifting increasingly from fossil fuels to biofuels.

A total of 1,156 (453) hectares of areas owned by Vapo Group were transferred to other land use methods from peat production operations in Finland during the financial year. A total of 754 (356) hectares were assigned for forestation and 402 (97) hectares for building wetlands. In addition, a significant amount of land was sold, with the new owner deciding on the subsequent use. A total of 3,836 (1,145) hectares of areas released from peat production were returned to land owners. The company prepares for the subsequent main-

tenance of cutaway areas by means of an environmental provision that covers the costs associated with post-production obligations. During the financial year, Vapo sold 1,063 hectares of peatlands of significant nature value to the Finnish State for conservation purposes.

In 2020, Vapo Group **continued its own power and heating plants' multi-year development programme** aimed at reducing oil consumption and improving energy efficiency. Renewable fuels currently account for 67% of all fuels used: 61% (46%) in Finland, 97% (94%) in Sweden and 18% (7%) in Estonia. Nevel Oy is committed to increasing the share of renewable fuels to more than 75% by the end of 2021. The use of domestic fuels remained unchanged from the previous year at Nevel Oy's energy production plants in Finland. During the reporting period, the company invested in energy efficiency and increasing its capacity of using bio-fuels in all of its operating countries.

General Meetings

Vapo Oy's Annual General Meeting was held in Helsinki on 19 March 2020. The AGM adopted the financial statements and consolidated financial statements for the financial year 1 May 2019–31 December 2019 and discharged the members of the Supervisory Board, the Board of Directors and the CEO from liability. The AGM resolved to distribute a dividend for the financial year ended

31 December 2019 amounting to EUR 133.00 per share, or EUR 3.99 million in total. The payment dates were 27 March 2020 for the first half of the dividend and 18 June 2020 for the second half.

The AGM confirmed the number of members of the Supervisory Board as ten. Juha Sipilä was elected as Chairman, with Heikki Miilumäki as Vice Chairman. Antti Häkkänen, Eero Kubin, Esko Kurvinen, Tommi Lunttila, Mauri Peltokangas, Jenni Pitko, Piritta Rantanen and Tiina Snicker were elected as members.

The AGM confirmed the number of members of the Board of Directors as eight. Jan Lång continues as Chairman, with Markus Tykkyläinen as Vice Chairman. Tuomas Hyyryläinen, Kirsi Punttila, Minna Smedsten and Maija Strandberg were re-elected to the Board of Directors. Stefan Damlin and Vesa Hätilä were elected to the Board of Directors as new members.

The audit firm KPMG Oy Ab was elected as the auditor.

Number of employees

The Group employed an average of 1,018 (1,009) persons in the final third of the financial year. The average number of employees for the full financial year was 1,031 (1,050).

The codetermination committees of Vapo Oy and Kekkilä Oy met twice, as planned, during the financial year to discuss current topics. Employees are also represented on Vapo's Supervisory Board. The Supervisory Board met three times during the financial year.

Occupational safety

Vapo Group's safety team manages and develops our "safety first!" culture to prevent safety deviations and accidents through effective risk reduction, training and the provision of support to the business functions. In 2020, Vapo Group's accident frequency (LTA1f: lost-time accidents per million working hours) increased slightly compared to the previous year and was 7.2 (6.7). The accident frequency increased mainly in the Group's fuel businesses in Finland as well as peat production. A significant improvement was achieved in the Netherlands, where the accident frequency decreased by 40% (compared to the previous year). Most of our accidents – and serious accidents in particular – took place in production operations. During the past three years, 23% of the incidents were classified as serious accidents or serious near misses (19 incidents out of 81). However, none of these came close to a fatal accident, and 55% of the total number of accidents did not lead to lost time.

To improve and harmonize our safety culture, we focused on safety training in 2020. At the Group

Employees by segment, average

	1-12/2020	5-12/2019
Energy	371	366
Grow&Care	545	547
New Businesses	26	19
Other	90	117
Total	1,031	1,050

level, 97% of all operational employees completed an internal "Safety first!" online course, and 87% of operational employees also received external safety training. We also monitor accidents involving contractors in our operations and conduct accident investigations in cooperation with them. Due to travel restrictions caused by COVID-19, the number of safety observations decreased by 15% and amounted to 3,986 (4,709).

Vapo Group has zero tolerance for inappropriate conduct and discrimination, and all nine incidents reported during the year were reviewed without delay.

Vapo Group participated in the Great Place to Work personnel survey for the second time in October 2020. This enabled us to compare our scores with the previous year's results. Our Trust Index was 68%, representing an increase of five

percentage points compared to 2019. This is a significant step on our journey to becoming one of the best places to work in Europe by 2030. The response rate remained at the same high level of 79 per cent, indicating strong commitment among employees to develop Vapo's corporate culture. The statement "All things considered, I would say this is a great place to work" received a positive response from 75% (69%) of the personnel.

Changes in organisational structure

1 May 2020: the merger of Clean Waters Oy into Vapo Oy was confirmed.

20 May 2020: Nevel Eesti OÜ:n shares were transferred in exchange for share-based consideration to Salon Energiatuotanto Oy and 31 October 2020: Salon Energiatuotanto Oy's merger into Nevel Oy was confirmed.

Board of Directors' proposal for the distribution of profits

The Board of Directors proposes to the General Meeting to be convened on 30 March 2021 that Vapo Oy's result for the financial year, EUR -124,139,477.60, be recorded as a change in retained earnings, after which the distributable funds available to the General Meeting amount to EUR 15,848,259.19.

In line with its dividend policy, Vapo Oy distributes as dividends, on average, 50 per cent of the annual profit shown in the financial statements. There have been no substantial changes in the company's financial position after the end of the financial year related to the divestment of Nevel. The Board of Directors proposes to the General Meeting that no dividend will be paid as dividend for the financial year 1 January–31 December 2020.

Events after the review period

On 28 January 2021, Vapo announced it had closed the sale of its wholly-owned subsidiary Nevel Oy to Ardian. Nevel provides industry and municipalities with advanced infrastructure solutions in Finland, Sweden and Estonia. The transaction was announced on 2 November 2020 and the competition authorities in Finland and Sweden approved the transaction by 23 December 2020. On the same day, just before the sale of Nevel, Nevel acquired 100% ownership of Nevel Lämpövoima Ky, which was previously an associated company of Nevel.

The debt-free acquisition price (enterprise value) of the transaction was EUR 656 million. Vapo will recognise a tax-free sales profit of approximately EUR 490 million in the result for the first third of 2021.

In addition, as a result of the closing of the transaction, Nevel Oy's CEO was relieved of his duties in Vapo's Group Management Team.

Future outlook

Vapo Group is one of the world's largest producers of energy peat and peat for growing media. The company holds an important role in ensuring Finland's self-sufficiency in energy and the security of supply. Nevertheless, political decisions have a material impact on the profitability of nearly all of the company's businesses and therefore affect the company's ability to invest in higher-added-value production. The funds obtained from the sale of the heat and power company Nevel give Vapo the opportunity to continue its strong transformation from a former conglomerate and energy company into Europe's leading producer of growing media through Kekkilä-BVB and a facilitator of cleaner water and air through the Novactor activated carbon business.

In the new financial year, the Kekkilä-BVB subgroup will again invest in developing its product selection and the profitable growth of its international sales in the professional, consumer grower and landscaping businesses. The Group intends to expand its distribution network into new markets in line with its strategy while increasing its cooperation with its existing comprehensive network of customers in its home markets in Europe.

Vapo will continue to implement measures in line with its strategy to increase the competence of its personnel and achieve market-leading customer service. This includes the development of comprehensive solutions for our energy customers. At the same time, the company will continue to increase the efficiency of its business processes in order to improve profitability. The demand for energy peat as a fuel is expected to continue to decline, while the demand for bioenergy is expected to see strong growth.

Vapo will continue the commercialisation of new business operations in the Carbons business as well as the researching of further new business initiatives in Vapo Ventures. The construction of Carbons' first production facility for manufacturing technical carbons is progressing as planned in Ilomantsi and it is expected to become operational in before the summer. Vapo Ventures has a strong focus on cooperation with other industry participants to promote its project as effectively as possible in collaboration with interested partners.

During the previous financial year, Vapo also started the development of its own wind power projects. Further progress will be made in 2021 on the first projects.

Consolidated key figures

MEUR	9-12/2020	9-12/2019	1-12/2020	5-12/2019	5/2018-4/2019
Turnover	162.1	163.6	544.9	297.7	460.8
Operating profit (EBIT)	-121.4	-35.1	-95.3	-40.4	33.3
% of turnover	-74.9	-21.5	-17.5	-13.6	7.2
Operating profit (EBIT) before impairment	-18.6	3.8	7.4	-1.5	33.5
% of turnover	-11.5	2.3	1.4	-0.5	7.3
Profit/loss for the period	-121.5	-32.2	-108.1	-40.2	25.2
Operating margin (EBITDA)	-4.5	18.6	53.8	37.0	74.1
+/- Change in working capital	21.2	10.3	44.8	10.3	-45.7
- Net investments	-26.3	-18.6	-59.1	-26.3	-50.7
Free cash flow before taxes	-9.7	10.4	39.6	21.0	-22.3
Gross investments	-33.2	-31.5	-76.6	-42.8	-62.7
Return on invested capital % *			-14.0	-1.7	5.4
Return on invested capital % before impairment *			1.1	4.1	5.4
Return on equity % *			-34.9	-5.2	7.0
Balance sheet total			758.5	829.3	805.8
Shareholders' equity			207.4	343.5	404.0
Interest-bearing net debt			327.7	315.2	265.6
Equity ratio %**			27.9	42.9	51.3
Interest-bearing net debt/operating margin			6.1	4.0	3.4
Gearing %			158.0	93.4	65.8
Average number of employees			1,031	1,050	869

*Previous 12 months

**In calculating the equity ratio, the capital loan on the balance sheet was calculated as shareholders' equity

Key figures for parent company Vapo Oy

MEUR	1-12/2020	5-12/2019	5/2018-4/2019
Turnover	175.3	114.7	246.3
Operating profit (EBIT)	-120.0	-34.3	15.9
% of turnover	-68.4%	-29.9%	6.5%
Operating profit (EBIT) before impairment	-20.3	-9.1	23.6
% of turnover	-11.6%	-7.9%	9.6%
Profit/loss for the period	-124.1	-39.2	27.7
Operating margin (EBITDA)	-5.2	9.5	49.6
Return on invested capital % *	-22.7%	-5.9%	1.5%
Return on invested capital % before impairment *	-3.8%	-1.6%	1.4%
Return on equity % *	-64.8%	-14.4%	12.6%
Balance sheet total	556.6	653.8	662.7
Shareholders' equity	98.8	226.9	278.4
Equity ratio %	18.3%	35.5%	42.5%

*Previous 12 months

Vapo Oy's share capital and shareholders

Vapo Oy has one class of shares. The total number of shares is 30,000. Each share carries one vote at the General Meeting, and all shares carry the same dividends. If a Vapo share is transferred to an external party other than one that is in a Group relationship with the shareholder pursuant to Chapter 8, Section 12 of the Finnish Limited Liability Companies Act, the company's shareholder shall have the right to redeem the share in question. If more than one shareholder wishes to exercise this

redemption right, the shares are divided between the parties wishing to redeem them in proportion to their existing shareholdings. At the end of the financial year, on 31 December 2020, Vapo Oy's share capital amounted to EUR 50,456,377.94.

Vapo Oy is a joint venture of the Finnish State and Suomen Energiavarat Oy. The Finnish State holds 50.1% of the shares (15,030 shares) directly and Suomen Energiavarat Oy holds 49.9% of the shares (14,970 shares).

Consolidated Financial Statements, IFRS

Consolidated statement of comprehensive income

EUR 1,000	Note	1-12/2020	5-12/2019
TURNOVER	2	544,913	297,748
Change in stock levels of finished and unfinished products		1,336	35,843
Production for own use		202	74
Other operating income	4	10,126	12,680
Share of results of companies consolidated using the equity method		800	-5
Materials and services	5	-268,849	-182,102
Expenses arising from staff benefits	6	-72,091	-44,740
Depreciation	7	-47,179	-38,528
Impairment	7	-102,798	-36,904
Impairment of goodwill	7	0	-1,995
Other operating expenses	8	-161,810	-82,509
OPERATING PROFIT/LOSS		-95,348	-40,440
Financial income	9	5,497	347
Financial expenses	9	-17,979	-8,107
PROFIT/LOSS BEFORE TAXES		-107,830	-48,200
Income taxes	10	-261	8,041
PROFIT/LOSS FOR THE PERIOD		-108,091	-40,159

EUR 1,000	Note	1-12/2020	5-12/2019
OTHER COMPREHENSIVE INCOME ITEMS			
(items that may not be reclassified subsequently to profit or loss):			
Remeasurement of defined benefit plans		389	332
Items that may be reclassified subsequently to profit or loss:			
Translation differences from foreign units		882	299
Other comprehensive income items, after taxes		1,271	630
TOTAL COMPREHENSIVE INCOME		-106,820	-39,529
PROFIT/LOSS FOR THE PERIOD			
Distribution of profit for the period:			
To parent company shareholders		-111,358	-39,600
To non-controlling shareholders		3,266	-559
		-108,091	-40,159
Distribution of comprehensive income for the period:			
To parent company shareholders		-110,180	-38,994
To non-controlling shareholders		3,360	-534
		-106,820	-39,529

Earnings per share calculated from profits due to parent company shareholders

Earnings/share, EUR	-3,712	-1,320
Average number of shares	30,000	30,000

Consolidated balance sheet

EUR 1,000	Note	31 Dec. 2020	31 Dec. 2019
ASSETS			
Long-term assets			
Intangible assets	11	32,409	35,746
Goodwill	11	24,306	25,118
Land and water areas	12	38,624	46,129
Buildings and structures	12	40,650	65,584
Machinery and equipment	12	46,096	129,561
Other tangible assets	12	65,588	188,616
Prepayments and unfinished acquisitions	12	44,132	24,743
Shares in entities consolidated using the equity method	13	0	21,637
Other long-term financial assets	14	585	726
Long-term sales and other receivables	15	3,235	3,321
Deferred tax asset	17	1,400	534
Long-term assets total		297,025	541,715
Current assets			
Inventories	18	187,905	190,291
Sales and other receivables	19	66,885	86,902
Income tax receivables		2,173	4,089
Cash and cash equivalents	20	13,366	6,326
Current assets total		270,329	287,608
Available-for-sale assets	3	191,161	0
ASSETS TOTAL		758,515	829,323

EUR 1,000	Note	31 Dec. 2020	31 Dec. 2019
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		50,456	50,456
Fair value fund and other funds		30,454	30,657
Translation differences		-3,433	-4,215
Retained earnings		58,140	175,965
Hybrid bond	27	29,880	50,000
Parent company shareholders' share of shareholders' equity		165,497	302,863
Non-controlling shareholders		41,879	40,640
Shareholders' equity total	21	207,376	343,503
Long-term liabilities			
Deferred tax liability	17	10,769	16,639
Long-term interest-bearing liabilities	22	257,810	278,429
Long-term non-interest-bearing liabilities	23	1,938	8,155
Long-term provisions	24	11,099	7,654
Pension liabilities	25	4,885	5,004
Long-term liabilities total		286,501	315,881
Current liabilities			
Current interest-bearing liabilities	22	58,098	46,453
Current non-interest-bearing liabilities	26	147,578	121,655
Current provisions		2,669	1,831
Current liabilities total		208,345	169,939
Liabilities related to assets held for sale	3	56,292	0
SHAREHOLDERS' EQUITY AND LIABILITIES		758,515	829,323

The following restatements have been made to the comparison year's figures concerning Kekkilä-BVB's purchase price calculation and a depreciation difference adjustment related to the Nevel Oy business transfer: Goodwill -629, tax assets -185, reserves 1,733, retained earnings -1,103, deferred tax liabilities -6,150.

Consolidated cash flow statement

EUR 1,000	1-12/2020	5-12/2019
Cash flow from operating activities		
Profit/loss for the period	-108,091	-40,159
Adjustments to the result for the period		
Depreciation and impairment	149,976	77,428
Share of results of entities consolidated using the equity method	-800	5
Financial income and expenses	12,621	11,758
Income taxes	261	-8,041
Other adjustments	-6,367	-15,696
Adjustments to the profit/loss for the period total	155,691	65,454
Change in working capital		
Increase/decrease in inventories	-1,284	-39,945
Increase/decrease in sales receivables and other receivables	-1,718	22,997
Increase/decrease in accounts payable and other debts	40,408	20,717
Change in provisions	3,221	245
Change in working capital total	40,627	4,014
Interest paid	-8,951	-3,837
Interest received	300	54
Other financial items	-4,652	-758
Taxes paid	240	-2,980
Cash flow from operating activities	75,164	21,788

EUR 1,000	1-12/2020	5-12/2019
Cash flow from investing activities		
Investments in tangible and intangible assets	-68,192	-48,879
Proceeds from disposal of tangible and intangible assets	23,428	16,423
Acquisition of subsidiaries, net of cash	-184	3
Associates' shares bought		-1,741
Other investments	711	
Associates' shares sold		1,742
Increase/decrease in short-term investments	25	
Repayments of loans receivable		79
Dividends received	1	1
Cash flow from investing activities	-44,212	-32,372
Cash flow from financing activities		
Share issue against consideration		5
Increase (+)/decrease (-) in short-term loans	35,176	-51,467
Proceeds from long-term loans	14,753	100,000
Repayment of long-term loans	-24,233	-10,890
Repayments of lease liabilities	-14,790	-13,018
Dividends paid	-3,990	-12,430
Dividends paid/hybrid loan	-2,785	-3,250
Repayments of hybrid bond	-20,120	
Cash flow from financing activities	-15,990	8,950

EUR 1,000	1-12/2020	5-12/2019
Change in cash and cash equivalents	14,962	-1,634
Cash and cash equivalents opening balance	6,326	7,962
Change in cash and cash equivalents	14,962	-1,634
Effect of changes in exchange rates	0	-2
Cash and cash equivalents at end of period	21,289	6,326
Cash and cash equivalents related to mergers, acquisitions and divestments/assets held for sale	7,922	

Consolidated statement of changes in shareholders' equity

EUR 1,000	Share capital	Other funds	Translation differences	Retained earnings	Hybrid bond	Total	Non-controlling shareholders	Total
Shareholders' equity total, 1 January 2020	50,456	30,657	-4,215	175,965	50,000	302,863	40,640	343,503
Changes in shareholders' equity								
Dividend distribution				-6,775		-6,775	-78	-6,853
Distribution of funds							-303	-303
Transfers between items				100		100	156	257
Total comprehensive income			882	-110,967		-110,085	3,266	-106,820
Other changes								
Other changes		-204	-99	-183	-20,120	-20,606	-1,805	-22,411
Changes in holdings in subsidiaries							3	3
Shareholders' equity total, 31 December 2020	50,456	30,453	-3,432	58,140	29,880	165,497	41,880	207,376

EUR 1,000	Share capital	Other funds	Translation differences	Retained earnings	Hybrid bond	Total	Non-controlling shareholders	Total
Shareholders' equity, 1 May 2019	50,456	30,481	-4,467	229,577	50,000	356,047	40,814	396,861
Changes in shareholders' equity								
Dividend distribution				-15,550		-15,550	-130	-15,680
Transfers between items		-21		412		391	206	597
Total comprehensive income			299	-39,269		-38,970	-559	-39,529
Other changes								
Other changes		197	-47	1,103		1,253	1	1,254
Changes in holdings in subsidiaries				-308		-308	308	
Shareholders' equity total, 31 December 2019	50,456	30,657	-4,215	175,965	50,000	302,863	40,640	343,503

The following restatements have been made to the comparison year's figures concerning Kekkilä-BVB's purchase price calculation and a depreciation difference adjustment related to the Nevel Oy business transfer:
Goodwill -629, tax assets -185, reserves 1,733, retained earnings -1,103, deferred tax liabilities -6,150

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Company

Vapo is an international conglomerate whose businesses promote clean, local and water-conserving food production, supply local fuels and provide heating and steam production solutions. Vapo Group also develops new products for the purification of contaminated environments and creates well-being by providing jobs, recycling and by creating comfortable living environments.

Vapo is a leading bioenergy company in Finland, Sweden and Estonia. The product and service selection developed for Vapo's energy customers consists of local fuels, such as peat, pellets and forest fuels as well as added value services related to energy production. Vapo is an important part of the local energy infrastructure in all of its markets.

Vapo Group also includes the growing media group Kekkilä-BVB, which is the European market leader in growing media products. The company produces garden soils, mulches and fertilisers for professional growers, consumers and landscapers in Finland under the Kekkilä brand, in Sweden under the Hasselfors Garden brand and in the Netherlands under the BVB Substrates brand.

Vapo Group consist of three divisions – Energy, Grow&Care and New Businesses – and the Group's other functions. Vapo has subsidiaries in Finland and other countries.

The parent company, Vapo Oy, is a Finnish company established in compliance with Finnish laws, domiciled in Jyväskylä at the registered address Vapo Oy, Yrjönkatu 42, PO Box 22, 40101 Jyväskylä, Finland. The company website is at www.vapo.com.

The COVID-19 pandemic had only a minor impact on Vapo Group businesses and liquidity in the financial year 2020. With regard to personnel, the Group took quick action to implement the precautionary measures required by the authorities in the spring and these measures continued throughout the year.

The Board of Directors of Vapo Oy approved these financial statements for publication at its meeting on 4 March 2021.

According to the Finnish Companies Act, shareholders are entitled to either approve or dismiss the financial statements at the General Meeting of Shareholders following their publication. The General Meeting is also entitled to vote on a revision of the financial statements.

A copy of the consolidated financial statements is available at www.vapo.com or from the head office of the parent company.

1. Accounting policies for the consolidated financial statements

1.1 General

Vapo Oy's consolidated financial statements have been compiled in accordance with the International Financial Reporting Standards (IFRS), which have been approved for use in the EU, and in accordance with the IAS and IFRS standards in force on 31 December 2020 as well as the SIC and IFRIC standing interpretations. International accounting standards refer to standards and their interpretations approved to be used in the EU according to the Finnish Accounting Act and regulations based on it in accordance with the procedures set in EU regulation (EC) No. 1606/2002.

The notes to the consolidated financial statements also comply with the requirements of the Finnish accounting and company acts which complement the IFRS regulations. The profit and loss statement figures are presented in thousands of euros and are based on the original acquisition costs, unless stated otherwise in the accounting policies. For presentation purposes, individual figures and totals have been rounded up to the nearest thousand, resulting in rounding differences in the totals.

The figures for the period presented in the financial statements are not comparable because the

comparison period was eight months long. This is due to a change in Vapo's financial year. Going forward, Vapo's financial year is the calendar year, 1 January–31 December.

Two of the Group's financial years ended during the same calendar year, 2019, which is why the maximum amortisation for the tax year (20 months) has been accounted for in the previous financial statements.

Standards applied during the financial year

New and amended standards introduced in 2020 had no effect on Vapo's consolidated financial statements.

1.2. Consolidation principles

The consolidated financial statements cover the parent company, Vapo Oy, and all subsidiaries in which the parent company holds over 50% of the votes carried by shares, or which are otherwise controlled by the parent company. Piipsan Turve Oy, in which Vapo's holding is 48%, has been consolidated as a subsidiary in the consolidated profit and loss statements. Associates in which Vapo controls 20–50 per cent of the votes, and in which Vapo has considerable influence but no absolute control, have been consolidated using the capital share method. When the Group's share of the associate's result exceeds the book value, the investment is recognised in the balance

sheet at zero value and the exceeding losses are not recognised unless the Group has incurred obligations or made payments on behalf of the associate.

Acquired subsidiaries have been consolidated in the consolidated financial statements from the date on which the Group acquired control until this control ceases. Group companies' mutual share ownerships have been eliminated using the acquisition cost method. The acquisition cost has been allocated to the acquired company's assets and debts at their fair value at the time of the acquisition, where a reliable figure could be determined. For these allocations, imputed taxes have been estimated at the current tax rate and the remainder has been entered in the balance sheet as goodwill.

The Group's internal business transactions, receivables, debts, unrealised margins and internal distribution of profit are not included in the consolidated financial statements. Total comprehensive income is allocated to the owners of the parent company, even if this means that the non-controlling shareholders' share becomes negative. The share of non-controlling shareholders is also presented as a separate item as part of shareholders' equity. The changes in the share of ownership of the subsidiary by the parent company, which do not lead to loss of control, shall

be treated as business operations regarding shareholders' equity.

1.3. Summary of key accounting principles

Compilation principles requiring management judgement and key uncertainties related to estimates

When compiling financial statements, it is necessary to make estimates and assumptions about the future. The actual outcome can be different from the estimates and assumptions made. In addition, it is necessary to exercise judgement when applying the financial statement compilation principles.

The Group management makes decisions based on discretion concerning the choice and application of the financial statement compilation principles. This particularly concerns cases where the IFRS norms have alternative entry, valuation and presentation methods. The estimates and assumptions are based on the previous experience of the Group's management and other factors. They also include reasonable expectations concerning future events. The estimates and assumptions used are continuously reviewed. The Group monitors changes in estimates and assumptions and the factors influencing estimates and assumptions by using several internal and external sources of information. Potential chang-

es to estimates and assumptions are taken into account in the financial periods during which the estimate or assumption changes.

The most significant components for which management discretion has been applied concern the amounts of reserves, compiling the impairment testing and the assumptions used therein, determining the terms of leases as well as determining the fair values of the financial assets and debts.

Revenue recognition principles

Revenue is recognized in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group's performance obligations consist of the delivery of local fuels, such as peat, pellets and forest fuels, as well as added value services related to energy production. The Group also supplies heat and electricity and provides plant operation services for customers. For the customers of gardening products, the Group sells growing media, mulches and fertilisers.

The recognition of revenue from product sales is based on delivery and the transfer of control to the customer, i.e. when the customer has the ability to direct the use of the product and obtain the benefit associated with it. Revenue from services is recognised over time as the customer receives

the benefit from the service as it is produced. Revenue from short-term services is recognised when the service has been completed. The amount of consideration recognised as revenue takes into account all variable consideration, such as discounts.

Interest income is entered according to the effective interest method and dividend income when there is a right to the dividend.

Transactions denominated in foreign currency

Figures concerning the result and financial status of the Group's units are defined in the currency that is the currency in each unit's main operational environment ('functional currency'). The consolidated financial statements are presented in euros, which is the parent company's functional and presentation currency.

Transactions in foreign currencies are translated into the functional currency using the foreign exchange rate prevailing on the transaction date. Monetary items are translated into functional currency using the exchange rates prevailing on the balance sheet date.

Profits and losses arising from transactions denominated in foreign currency and translation of monetary items have been treated through the profit and loss account. The exchange rate gains

and losses of business operations are included in financial income and expenses.

Conversion of foreign Group company financial statements

The income and expense items on the comprehensive income statements and separate income statements of foreign subsidiaries are converted to euros using the average exchange rate for the period and the balance sheets are converted using the exchange rate on the closing date. The average exchange rate difference arising from the different exchange rates used for the income statement, comprehensive income statement and balance sheet creates a translation difference recognised in equity. The change in the translation difference is recognised in other comprehensive income. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and the translation of equity items accrued after the acquisition are recognised in other comprehensive income. When a subsidiary is sold as a whole or in part, the conversion differences gained are transferred through profit and loss as a part of gains or losses on sale.

Research and development expenditure

Research expenses are entered as expenditure for the accounting period in which they are incurred. Development expenses from the design of new or significantly improved products are

capitalised as intangible assets on the balance sheet once the expenses of the development phase can be calculated reliably, once the product can be utilised technically and commercially, once the Group expects the product to generate a likely future financial benefit, and once the Group has both the intention and resources to complete the development work.

Goodwill

Goodwill arising from the acquisition of a company is the difference between the acquisition cost and the acquired, individualised net assets measured at fair value. Goodwill is assigned to cash flow generating units and is tested annually for impairment. In the case of associates, goodwill is incorporated into the value of the associate investment. If the said goodwill can be seen to be associated with the funds or other intangible rights of the acquired associate, it is depreciated over its useful life. Goodwill is valued at the original acquisition cost less any impairment.

Measurement of the non-controlling interest

Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The measurement principle is determined separately for each acquisition.

Other intangible assets

An intangible asset is entered on the balance sheet at the original acquisition cost if it can be reliably defined, and it is likely that the corresponding economic benefit expected will profit the Group. Other intangible assets include patents, copyright, trademarks, software licences and customer relationships. They are valued at the original acquisition cost and depreciated using straight line depreciation over their estimated economic life, which can vary from 5 to 25 years.

Tangible fixed assets

Tangible fixed assets acquired by Group companies are measured at the original acquisition cost. The tangible fixed assets of acquired subsidiaries are measured at the fair value at the time of acquisition. Tangible fixed assets are presented on the balance sheet at the acquisition cost less accumulated depreciation and impairment losses. If a fixed asset consists of a number of parts with differing economic lives, the parts are treated as separate assets.

Depreciation is based on the following expected economic lives:

Buildings and structures	15–40 years
Machinery and equipment	3–25 years
Other tangible assets	5–30 years

No depreciation is recorded on land areas; peat assets are depreciated by substance depreciation over their estimated economic life. Ordinary repair and maintenance expenses are entered as expenditure during the accounting period in which they are incurred. Expenses for significant renewal and improvement projects are entered on the balance sheet if it is likely that they will increase the economic benefit accrued by the company. Profits and losses arising from the sale and disposal of tangible fixed assets are calculated as the difference between the net income received and the carrying amounts. Gains and losses on sales are included in the profit and loss statement under operating profit. When a fixed asset is classified as held for sale according to *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*, depreciation is no longer recorded.

Peat assets

The peat assets relating to Vapo's peat division are included under tangible assets on the balance sheet. Depreciation of peat assets is applied according to use. With regard to the acquisition of new production areas, a portion of the total purchase price that corresponds to the estimated volume of the peat assets is entered as an increase in peat assets.

Costs arising from preparing peat production areas for production are treated as an addition to

the acquisition cost of peat assets. The volume (m³) of peat assets in the Group's production areas is monitored by measurement. Measurement results do not lead to changes in the carrying amounts, but the depreciation plan, which is based on volumes of planned use and remaining peat, is revised as necessary.

Subsidies received

Subsidies received from states or other organisations are entered as income in the profit and loss statement. Entries are made systematically, which means that subsidies are entered under the expenses which they are intended to cover. Subsidies granted for the acquisition of fixed assets are entered as deductions to the book values of fixed assets when it is reasonably certain that the subsidies will be received and the Group satisfies the conditions for eligibility for the subsidy. Subsidies are recognised as income according to the economic life of the asset.

Impairment

The carrying amounts of assets are assessed at least at the end of each reporting period in order to determine impairment. Key financial figures, official decisions, energy market changes and regulations as well as the actions of competitors are monitored as factors which may suggest a need to adjust the value of assets. The impairment is examined at the level of cash flow gen-

erating units, i.e. at the lowest unit level, since this is largely independent of other units and the cash flows can be separated. The impairment is calculated by comparing the carrying amount of the item with the recoverable value of the corresponding assets. As a rule, the recoverable value is based on the future discounted net cash flow obtainable with the aid of the corresponding asset.

In order to determine a possible impairment of peat production areas, Vapo Group monitors factors affecting the income-generating capacity of these areas. These include the volume of peat and its thermal content, the logistical location of the peatland, its geographical conditions, the environmental permit process, the estimated development of demand and the sales price, the acquisition price, the preparation cost and the stage of the life cycle.

Pension liabilities

Pension plans are classified as defined benefit and defined contribution plans. Contributions to defined contribution plans are recognised in the income statement in the financial period to which they relate to. The statutory pension security of the Group's Finnish companies is arranged with Finnish pension insurance companies. The statutory employment security is a defined contribution plan.

Defined benefit plans are based on defining the pension benefit the employee will receive upon retirement. The size of the benefit depends on factors such as age, years of employment and pay. Current service cost is the present value of the post-employment benefit, which is earned by the employees during the financial year and recognised in personnel expenses. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The discount rate used in the calculation of the present value of the obligation is based on the average interest rates of long-term government bonds in the euro zone.

The Group's Estonian subsidiary AS Tootsi Turvas has defined contribution pension plans as well as a defined benefit pension plan under which the company is obligated to pay a fixed pension to 17 employees under pre-specified conditions. The average gross monthly wage in Estonia in 2001 is the basis of the benefit. This sum is adjusted annually in accordance with the change in the cost-of-living index and factors related to the person's employment relationship. The liability to pay the pension benefit arises when the employee entitled to the benefit turns 65. The liability is discounted on the basis of the estimate that the liability will continue until 2042, considering the statistical life expectancy.

Inventories

Inventories have been valued at the lower of acquisition cost and net realisable value. The net realisable value is the estimated selling price obtainable in ordinary business activities less estimated expenses arising from the preparation and implementation of the transaction. The value of inventories has been determined using the FIFO method and it includes all expenses arising from the acquisition as well as other indirect allocable expenses. The acquisition cost of manufactured inventories includes not only the cost of purchasing materials, direct labour and other direct costs, but also the share of general costs corresponding to the normal production level, excluding the costs of general administration, sales and financing. Peat production inventories include the sales stock of peat, i.e. the volume of peat extracted in summer. The exception to the use of FIFO valuation is peat produced in stacks, which is valued at the average price per stack. The value of inventories has been depreciated with respect to non-marketable assets.

Cash assets

Cash assets consist of cash funds, short-term bank deposits and other short-term highly liquid money market investments which have a maximum maturity of three months.

Financial assets

Financial assets are classified in the following groups in accordance with IFRS 9: financial assets recognised at amortised cost and financial assets recognised at fair value through profit or loss. The classification is based on the target of the business model and the contractual cash flows of investments or by applying the fair value option at the time of initial acquisition.

Transaction expenses are included in the original book value of the financial assets for items that are not measured at fair value through profit or loss. All purchases and sales of financial assets are entered on the day of the sale, which is the day on which the Group commits to purchasing or selling the financial instrument. Derecognition of a financial asset from the balance sheet takes place when the Group has lost the contractual right to cash flow or when it has transferred a significant part of the risks and profits outside the Group.

Financial assets recognizes at amortised cost include financial assets for which the target of the business model is to hold the financial assets until maturity to collect contractual cash flows. The cash flows of such assets consist solely of the principal and the interest on the remaining principal. The Group's financial assets recognised at amortised cost include trade receivables and

other receivables that are assets not classified as derivatives. The carrying amount of current trade receivables and other receivables is considered to be equal to their fair value. Trade receivables and other receivables are presented on the balance sheet as current assets if they are expected to be realised within 12 months of the end of the reporting period. After initial measurement, the value of these financial assets is measured at amortised cost using the effective interest method and deducting impairment, if any.

The Group recognizes a loss allowance for expected credit losses on financial assets recognised at amortised cost. Expected credit losses are presented in the income statement under other expenses. Impairment losses are also recognised in other expenses in the income statement. For trade receivables, expected credit losses are estimated using the simplified approach described in IFRS 9, which means that the credit losses are recognised at an amount equal to lifetime expected credit losses. Expected credit losses are estimated based on historical data on previous credit losses and the model also takes into account the information on future economic circumstances available at the time of the assessment.

The Group records a credit loss on trade receivables when there is objective evidence that the

receivable will not be collected in full. A debtor being in significant financial difficulties, probable bankruptcy, delinquent payments or payments that are more than 90 days overdue constitute evidence of probable credit loss.

Financial assets measured at fair value through profit or loss consist of financial assets acquired to be held for trading or classified upon initial recognition as being measured at fair value through profit or loss. Financial assets held for trading are acquired primarily for the purpose of earning a profit in the short or long term and they are presented in either long-term financial assets or current financial assets.

Realised and unrealised gains and losses from fair value changes are recognised through profit or loss. If there are no quoted prices for the investments, the Group applies various valuation methods in their measurement. On the financial statements date, the Group had no financial assets measured at fair value through profit or loss.

Financial liabilities

Rahoitusvelat merkitään alun perin kirjanpitoon käypään arvoon. Rahoitusvelkoihin liittyvät transaktiomenot kirjataan kuluksi. Myöhemmin rahoitusvelat, lukuun ottamatta johdannaisvelkoja, arvostetaan jaksotettuun hankintamenoon. Rahoitusvelkoja sisältyy pitkä- ja lyhytaikaisiin velkoihin.

Rahoitusvelat luokitellaan lyhytaikaisiksi, ellei konsernilla ole ehdotonta oikeutta siirtää velan maksua vähintään 12 kuukauden päähän raportointikauden päättymispäivästä.

Derivative instruments and hedge accounting

All derivatives are measured and recorded at fair value on the transaction and closing date. Fair value measurement is based on quoted market prices. The Group does not apply hedge accounting. Realised and unrealised gains and losses from derivative instruments are recorded in the financial items of the statement of income.

Emission rights

The principles of emission right calculation are based on valid IFRS standards. Emission rights are intangible rights measured at cost. Emission rights received without consideration are measured at nominal value, meaning that their value is nil. A provision for fulfilling the obligation to return the emission rights is recorded if the emission rights received without consideration are not sufficient to cover the actual amount of emissions. Therefore, the possible impact on the result is the difference between actual emissions and emission rights received.

Provisions and contingent liabilities

A provision is entered on the balance sheet if the Group has a legal or factual obligation as a result

of a previous event and it is probable that fulfilling the obligation requires payment or results in an economic loss and the amount of the liability can be reliably estimated. The amount of provisions is adjusted at each closing date, and their amounts are adjusted to reflect the best estimate at the time of review. Adjustments to provisions are recognised in the same item of the income statement in which they were initially recognised. Provisions may be related to restructuring of functions, loss-making agreements as well as environmental and pension liabilities.

Provision for environmental liabilities

A provision for environmental liabilities is recognised whenever the Group has an obligation based on environmental legislation and the Group's principles of environmental liability that is related to the decommissioning of a production plant, clean-up of environmental damage or transfer of equipment from one place to another. Starting peat production in a mire area requires an environmental permit. The permit specifies, among other things, the clean-up measures in the area after the end of peat production. In order to prepare for the clean-up measures, Vapo Group accumulates provisions varying annually on the basis of the production volume; for leased land areas it is recognised in the income statement as an expense, and the amount of the provision on the balance sheet is accumulated at the same

time. The corresponding provision for company-owned land is recognised in fixed assets as an acquisition cost of other tangible assets. For leased land areas, the provision is cancelled by recognising it as an expense in the income statement annually on the basis of the actual costs incurred from clean-up measures and, for company-owned land, the cancellation of the provision is recorded as depreciation.

Other provisions

Other provisions include the liability to compensate for permanent health damage recognised in AS Tootsi Turvas as well as the provision recognised in AS Tootsi Turvas for the costs of closing down the briquette plant.

Lease agreements

The Group leases land and buildings as well as machinery and equipment. At the commencement date, the Group assesses whether a contract is, or contains, a lease. A lease is a contract, or a component of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. At the commencement date, the Group separates a contract's lease component and non-lease component.

The lessee recognizes the lease on the balance sheet at the commencement date as a right-of-use asset and a corresponding lease liability. The

right-of-use asset is initially measured at cost. The cost comprises the amount of the initial measurement of the lease liability adjusted by any lease payments made at or before the commencement date, any lease incentives received, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee from restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use asset is depreciated over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using the lessee's incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method. The lease payments included in the lease liability are fixed or variable payments that depend on an index or rate. Options to extend leases are included in the lease term if it is reasonably certain that they will be exercised.

The Group applies two recognition exemptions permitted by the standard: leases with a lease term of 12 months or less and leases for which the underlying asset is of low value are not recognised in the balance sheet. The lease payments associated with such leases are recognised as an

expense on a straight-line basis over the lease term.

Taxes and deferred taxes based on the taxable income for the period

Tax expenses comprise taxes based on the taxable income for the period and deferred tax. Taxes are recognised through profit or loss, except if they are related to items recognised in shareholders' equity or other items of comprehensive income. In this case, the tax is also recognised under these items. The tax based on the taxable income for the period is calculated on the basis of taxable income in accordance with the tax rate valid in each country.

Deferred taxes are calculated on all temporary differences between accounting and taxation using the tax rates in force at the closing date. Deferred tax is recognised in the case of investments in subsidiaries or associates, except if the Group is able to determine the time the temporary difference will be eliminated and the temporary difference will probably not be eliminated during the foreseeable future. The most substantial temporary differences arise from appropriations, measurement of the net assets of acquisitions at fair value through profit or loss, measurement of financial assets at fair value through profit or loss, unused tax losses and internal margins. Deferred tax receivables are recognised up to the probable

amount of taxable income in the future against which the temporary difference can be utilised. The conditions for recognising a deferred tax liability are estimated in this respect on each closing date of a reporting period.

The Group offsets deferred tax assets and liabilities if they are related to the same taxpayer and the same tax collector and the deferred tax liabilities are higher than the deferred tax assets.

Non-current assets held for sale and discontinued operations

A non-current asset (or a disposal group) as well as assets and liabilities associated with a discontinued operation are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The recognition criteria are regarded to be met when: a sale is highly probable, the asset (or a disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary, the management is committed to the plan to sell the asset and the sale is expected to take place within one year from the date of classification. Immediately before the initial classification of the asset or disposal group as held for sale, the assets and liabilities will be measured in accordance with applicable IFRS standards. After classification as held for sale, assets (or disposal groups) are measured at

the lower of the carrying amount or fair value less selling costs. Depreciation of these assets will be discontinued upon classification. Assets included in disposal groups that do not fall within the scope of application of the measurement rules of IFRS 5 and liabilities are measured in accordance with the applicable IFRSs also after classification.

Operating profit

IAS 1 Presentation of Financial Statements does not give a definition for operating profit. The Group has specified it as follows: operating profit is the net of turnover and other operating income, acquisition costs adjusted for change in inventories of finished goods and work in progress and costs of production for own use, employee benefit expense, depreciation and any impairment losses and other operating expenses. All income statement items other than the above are presented below operating profit.

Application of upcoming IFRS standards and IFRIC interpretations

New or revised standards are not estimated to have an impact on Vapo Group's financial statements.

Capitalization of significant maintenance activities

At the start of the year, the principle of capitalising significant annual maintenance operations

was adopted as planned in the heat and power business. Previously, all maintenance operations were recognised as expenses annually. This had an effect of EUR 1.9 million on the operating result for the financial year 2020.

2. Segment information

The reporting segments comprise the Group's divisions in accordance with Vapo's management model. Vapo Group's reporting segments are Energy, Grow&Care, New Businesses and Other activities.

Energy

The Energy division is responsible for the energy and fuel solutions provided by the Group in Finland, Sweden and Estonia. The Group provides energy producers with peat, wood and pellet fuels as well as the most advanced remote operation services in the industry. For industrial and municipal customers, the Group produces heat and steam as a service at six power plants and approximately 150 heating plants. Consumer customers are supplied with district heating in more than 35 district heating networks. Pellets are also sold via an online shop. Approximately half of the division's turnover came from renewable biofuels and energy solutions.

Grow&Care

The Grow&Care division comprises all of the

Group's businesses in the horticultural sector. We provide solutions for professional growers, consumers and landscapers as well as for the processing and recycling of biomass. We also supply agricultural peat for further processing around the world as well as bedding peat to horse farms, cattle farms, pig farms and poultry producers.

The division's well-known brands, Kekkilä Garden and Hasselfors Garden, offer products to home gardeners and landscapers in Finland, Estonia and Sweden. Kekkilä Professional focuses on the professional grower business in Vapo Group's home markets as well as the global markets.

New Businesses

The New Businesses division creates new products and innovations based on the Group's competencies and raw material resources. The division's Vapo Ventures unit is also responsible for developing and managing the Group's shared innovation activities and managing the company's IPR assets.

Other activities

The other activities segment consists of costs that are not allocated to the business units. These costs are related to Vapo Group's M&A activities as well as administrative and other support functions.

Segment information 1/2020-12/2020

MEUR	Energy	Grow&Care	New Businesses	Other	Eliminations	Group total
External turnover	243.0	299.9	2.0	0.1	-0.0	544.9
Internal turnover	2.8	0.1	0.5	0.0	-3.4	
Turnover	245.9	299.9	2.4	0.1	-3.4	544.9
Segment operating profit/loss	-90.6	14.0	-3.3	-15.0	-0.4	-95.3
Financial income and expenses				-12.5		-12.5
Appropriations and income taxes				-0.3		-0.3
Result for the period	-90.6	14.0	-3.3	-27.8	-0.4	-108.1
Segment assets	395.1	274.4	39.9	120.2	-110.3	719.3
Shares in associates						
Unallocated assets				162.9	-123.7	39.2
Assets total	395.1	274.4	39.9	283.1	-234.0	758.5
Segment debt	85.3	39.1	22.6	12.3	-2.1	157.1
Unallocated debt				515.5	-121.5	394.0
Debt total	85.3	39.1	22.6	527.8	-123.7	551.1
Investments	21.1	25.4	28.0	5.7	-3.6	76.6
Depreciation	26.3	18.2	0.4	2.2		47.2

Segment information 5-12/2020

MEUR	Energy	Grow&Care	New Businesses	Other	Eliminations	Group total
External turnover	147.6	150.1		0.1	-0.0	297.7
Internal turnover	1.5	0.0		0.0	-1.6	
Turnover	149.1	150.1		0.1	-1.6	297.7
Segment operating profit/loss	-39.4	-0.5	-1.6	0.9		-40.6
Financial income and expenses				-6.8		-6.8
Appropriations and income taxes				33.8		33.8
Result for the period	-39.4	-0.5	-1.6	27.9		-13.6
Segment assets	545.2	232.9	13.2	145.5	-158.2	778.6
Shares in associates	21.6					21.6
Unallocated assets				131.6	-109.0	22.6
Assets total	566.8	232.9	13.2	277.1	-262.5	827.5
Segment debt	81.6	22.1	6.9	3.6	-4.1	110.1
Unallocated debt				475.9	-108.6	367.4
Debt total	81.6	22.1	6.9	479.5	-112.7	477.5
Investments	30.3	11.2	7.1	3.5	-5.9	46.2
Depreciation	25.3	11.9	0.0	1.5	0.0	38.7

Geographical information

EUR 1,000	1-12/2020 Turnover by country	1-12/2020 Long-term assets	1-12/2020 Investments
Finland	267,983	176,133	46,446
Sweden	84,531	178,194	5,053
The Netherlands	74,060	99,357	12,059
Germany	34,512	2,350	1,011
Estonia	11,131	31,564	12,019
Other Nordic countries	3,060	-	-
Other European countries	36,899	587	-
North and South America	8,484	-	-
Other countries	24,254	-	-
Group total	544,913	488,185	76,588

EUR 1,000	5-12/2019 Turnover by country	5-12/2019 Long-term assets	5-12/2019 Investments
Finland	156,877	422,713	27,550
Sweden	42,064	43,315	7,187
The Netherlands	39,963	44,990	5,207
Germany	11,367	-	44
Estonia	6,799	29,165	2,774
Other Nordic countries	2,972	-	-
Other European countries	23,710	678	-
North and South America	5,641	-	-
Other countries	8,356	-	-
Group total	297,748	540,860	42,761

3. Available-for-sale assets in 2020

Vapo announced on 9 June 2020 that it will begin mapping out strategic options for its heat and power businesses incorporated as Nevel. Nevel provides industry and municipalities with advanced infrastructure solutions in Finland, Sweden and Estonia.

On 2 November 2020, Vapo announced that it had agreed to sell its wholly-owned subsidiary Nevel Oy to the French private investment company Ardian.

The competition authorities in Finland and Sweden granted their approval for the transaction by 23 December 2020, removing the conditions of the transaction.

On 28 January 2021, Vapo closed the sale of its wholly-owned subsidiary Nevel Oy to Ardian. Nevel Oy's subsidiaries in Finland, Sweden and Estonia were included in the transaction. The debt-free acquisition price (enterprise value) of the transaction is approximately EUR 656 million. Vapo will recognise a tax-free sales profit of approximately EUR 490 million in the result for the first third of 2021.

The associated company Scandbio was classified as an asset held for sale in December 2020.

Assets and liabilities classified as held for sale are presented in the tables below.

EUR 1,000	1-12/2020
Assets	
Tangible assets	130,194
Intangible assets	5,681
Shares in entities consolidated using the equity method	21,093
Inventories	4,621
Sales and other receivables	29,571
Assets total	191,160

Liabilities	
Long-term liabilities, interest-bearing	25,960
Long-term liabilities, non-interest-bearing	10,648
Short-term liabilities, interest-bearing	2,544
Short-term liabilities, non-interest-bearing	17,140
Liabilities total	56,292

4. Other operating income

EUR 1,000	1-12/2020	5-12/2019
Rental revenue	670	388
Grants and public subsidies	13	-11
Other operating income	2,202	8,582
Gains on the sale of tangible assets	7,241	3,721
Total	10,126	12,680

5. Materials and services

EUR 1,000	1-12/2020	5-12/2019
Purchases during the period	-196,766	-106,287
Increase/decrease in inventories	-787	6,793
External services	-71,296	-82,608
Total	-268,849	-182,102

6. Expenses arising from staff benefits

EUR 1,000	1-12/2020	5-12/2019
Salaries and fees	-57,962	-34,913
Pension expenses, defined contribution	-7,529	-5,244
Voluntary pensions	-616	-510
Pension expenses total	-8,145	-5,754
Other fixed personnel expenses	-5,984	-4,073
Expenses arising from staff benefits	-72,091	-44,740
Management salaries and fees		
Salaries and other short-term employment benefits	1,929	1,316
Total	1,929	1,316
Salaries and fees		
CEO	499	394
Members of the Board of Directors	278	167
Members of the Supervisory Board	16	13
Management salaries, fees and fringe benefits total	793	574

The company publishes a separate corporate governance statement and remuneration statement annually. The reports are available on the company's website at www.vapo.com.

Employees, average

	1-12/2020	5-12/2019
Energy	371	366
Grow&Care	545	547
New Businesses	26	19
Other	90	117
Total	1,031	1,050

7. Depreciation and impairment

EUR 1,000	1-12/2020	5-12/2019
Depreciation		
Intangible rights	-3,326	-2,463
Other intangible assets	-166	-230
Land areas	-1,446	-999
Buildings and structures	-7,517	-5,624
Machinery and equipment	-22,404	-21,438
Other tangible assets	-12,320	-7,774
Total	-47,179	-38,528
Impairment		
Goodwill		-1,995
Intangible rights	-973	-75
Other intangible assets		-33
Land areas	-442	
Buildings	-665	-13
Machinery and equipment	-12,436	-4,816
Other tangible assets	-88,281	-29,972
Total	-102,798	-36,904
Depreciation and impairment total	-149,977	-75,432

8. Other operating expenses and auditor's fees

EUR 1,000	1-12/2020	5-12/2019
Rents	-4,789	-1,760
Cost of sales freight	-70,252	-38,253
Losses on the sale and scrapping of tangible assets	-1,032	-973
Change in credit loss provision	-579	-196
Auditor's fees: actual audit	-473	-355
Auditor's fees: attestations and statements	-118	-27
Auditor's fees: other expert services	-400	-71
Auditor's fees: tax advice	-85	-74
Audit costs total	-1,077	-527
External services	-28,952	-11,623
Other expenses	-55,130	-29,177
Other operating expenses total	-161,810	-82,509

9. Financial income and expenses

EUR 1,000	1-12/2020	5-12/2019
Dividend income from investments measured at fair value through profit or loss	1	1
Changes in the value of financial assets measured at fair value through profit or loss		
- interest derivatives, no hedge accounting		36
- currency derivatives, no hedge accounting	96	47
- commodity derivatives, no hedge accounting		
Interest income	289	58
Foreign exchange gains from financial loans measured at amortised cost		-5
Other foreign exchange gains and losses	5,110	211
Other financial income	2	0
Financial income total	5,497	347
Interest expenses	-8,259	-4,683
Changes in the value of financial assets measured at fair value through profit or loss		
- currency derivatives, no hedge accounting	-331	-278
- commodity derivatives, no hedge accounting	-2,898	-1,852
Foreign exchange losses from financial loans measured at amortised cost	-1,510	
Other foreign exchange losses	-4,086	-78
Write-downs on holdings in associates		-410
Other financial expenses	-895	-806
Financial expenses total	-17,979	-8,107
Financial income and expenses total	-12,482	-7,760

10. Income taxes

EUR 1,000	1-12/2020	5-12/2019
Income taxes from actual operations	-4,672	6,487
Taxes for previous financial periods	313	0
Deferred taxes	4,098	1,554
Total	-261	8,041

Reconciliation of taxes

EUR 1,000	1-12/2020	5-12/2019
Profit/loss before taxes	-107,830	-48,283
Deferred tax, parent company rate of 20%	21,566	9,657
Effect of the different tax rates used in foreign subsidiaries	-511	657
Effect of non-deductible items with the unit's tax rate	-5,496	9,095
Effect of non-deductible items with the unit's tax rate	969	-2,413
Taxes for previous financial periods	313	-8,955
Unbooked deferred tax for losses of the financial period	-17,168	0
Effect of change in the tax rate on taxes for the financial period	66	0
Tax expense in the income statement	-261	8,041

On 31 December 2020, Vapo A/S had confirmed losses totalling EUR 7.2 million that have not been taken into account in these financial statements. Vapo A/S was merged with Vapo Oy on 30 April 2019. The potential transfer of the losses to Vapo Oy is pending a decision by the Administrative Court.

11. Intangible assets

EUR 1,000	Goodwill	Intellectual property rights	Other intangible assets	Pre-payments	Total
Cost 1 January 2020	31,151	59,717	8,371	3,400	102,640
Translation differences (+/-)	17	19	1	-0	37
Acquisitions					
Increase	782	5,637	257	3,430	10,105
Decrease		-3,747	-20	-161	-3,927
Transfers between items	-782	-120	164	-595	-1,333
Transfer to long-term assets held for sale		-2,856	-1,802		-4,658
Cost 31 December 2020	31,169	58,651	6,971	6,074	102,864
Accumulated depreciation and impairment 1 January 2020	-6,828	-30,324	-5,252		-42,404
Translation differences (+/-)	-0	-18	-1		-19
Accumulated depreciation on acquisitions					
Accumulated depreciation on decrease and transfers		162	-143		18
Transfer to long-term assets held for sale		714	428		1,141
Depreciation for the period	-34	-4,493	-359		-4,886
Impairment					
Accumulated depreciation and impairment 31 December 2020	-6,862	-33,959	-5,328		-46,149
Book value 31 December 2020	24,306	24,691	1,643	6,074	56,715

EUR 1,000	Goodwill	Intellectual property rights	Other intangible assets	Pre-payments	Total
Cost 1 May 2019	31,326	58,265	8,353	3,674	101,618
Translation differences (+/-)	7	10	1	0	18
Acquisitions					
Increase		648	47	1,097	1,792
Decrease	-182	-252	-26	-334	-794
Transfers between items		1,049	-3	-1,037	8
Cost 31 December 2019	31,151	59,720	8,371	3,400	102,642
Accumulated depreciation and impairment 1 May 2019	-4,729	-27,959	-4,989		-37,677
Translation differences (+/-)	-0	-8	-0		-8
Accumulated depreciation on acquisitions					
Accumulated depreciation on decrease and transfers	62	11			73
Depreciation for the period		-2,462	-230		-2,692
Impairment	-1,995	-75	-33		-2,104
Accumulated depreciation and impairment 31 December 2019	-6,662	-30,493	-5,252		-42,407
Book value 31 December 2019	24,489	29,227	3,119	3,400	60,235

Impairment testing of cash-generating units with goodwill

Goodwill and intangible assets that are not yet ready to use are tested for impairment annually and when necessary if there are indications of impairment. Impairment losses are recognised in the income statement immediately to the extent that the carrying amount exceeds the asset's recoverable amount. The recoverable amount of an asset is the higher of the net sales price and service value. The basis for impairment for non-financial assets, except goodwill, is reviewed on the financial statements date to determine whether impairment should be reversed.

Goodwill is allocated for the purposes of impairment testing to cash-generating units defined by the Group. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The service value is determined by discounting the estimated future net cash flows of the asset or cash-generating unit at the present value. The anticipated cash flows in the calculations are based on financial plans approved by the management that cover the cash flow forecasts for the next few years. Forecasts are based on the various businesses' historical data, order backlog, current market situation and information on the indus-

try's future growth prospects. The cash flows of the explicit forecast period correspond with the management's views of the development of the profitability of different businesses and the effect of inflation on cash flows. Cash flows are expected to continue to follow the same trend after the explicit forecast period. As a rule, the calculation period for anticipated cash flow is five years. Cash flows after the calculation period are estimated according to a growth forecast of no more than 1.0 per cent, taking into account the country-specific differences of the business functions.

The terminal growth rate applied for all cash-generating units is a maximum of one (1) per cent. The discount rate used by the Group is the business-specific weighted average cost of capital (WACC) after taxes, adjusted by the tax effect in connection with testing. The calculation components for the weighted average cost of capital are the risk-free return, market risk premium, industry-specific beta, the target capital structure, the cost of borrowed capital and other risks.

Key assumptions applied in impairment testing and sensitivity analysis

Preparing cash flow forecasts requires management estimates of future cash flows. The estimates and assumptions are based on the previous experience of the Group's management and other factors. They also include reasonable expecta-

tions concerning future events. The nature of the estimates depends on the business area the assets being tested are part of. The estimates and assumptions used are continuously reviewed. The Group monitors changes in estimates and assumptions and the factors influencing estimates and assumptions by using several internal and external sources of information. Potential changes to estimates and assumptions are taken into account in the financial periods during which the estimate or assumption changes.

In addition to goodwill testing based on basic assumptions, separate sensitivity analyses were conducted for each cash-generating unit. The key variables in impairment testing are change in cash flow (+/- 5%), change in sales (+/- 5%) and change in discount rate (+/- 1 percentage points).

Goodwill impairment testing

Goodwill is allocated to cash-generating units (CGU). In accordance with Vapo's management structure, the CGUs are the reporting segments.

Goodwill is allocated to the following cash-generating units: Neova AB and Tootsi Turvas AS as part of the Energy reporting segment and the Kekkilä-BVB subgroup as part of the Grow&Care reporting segment. A summary of the allocation of goodwill and the weighted averages of the discount rates used is presented in the table below.

No impairment was allocated to goodwill or intangible rights during the financial year 1 January 2020–31 December 2020. During the financial year 1 May 2019–31 December 2019, impairment of EUR 1.2 million was recognised on the goodwill allocated to the Energy segment and impairment of EUR 0.8 million was recognised on the goodwill allocated to the Grow&Care segment. In estimating the cash-generating units, according to the management's estimates, no foreseen change in any of the variables used in sensitivity analyses would lead to a situation in the other segments where a unit's recoverable amount would be lower than its carrying amount.

Allocation of goodwill to cash-generating units:

EUR 1,000	WACC	31 Dec. 2020	WACC	31 Dec. 2019
Energy	6,7%	980	6,7%	1,009
Grow&Care	5,3%	23,327	5,3%	24,109
Other	5,0%	0	4,3%	0
Total		24,306		25,118

12. Tangible fixed assets

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Pre-payments and unfinished acquisitions	Total
Cost 1 January 2020	47,648	121,556	431,628	438,953	24,743	1,064,527
IFRS 16 acquisition cost 1 May 2019						
Translation differences	48	230	801	1,356	98	2,533
Increase	2,057	14,578	27,327	2,388	45,911	92,260
Decrease	-4,610	-10,775	-16,259	-3,410	-1,109	-36,164
Change in share of ownership, relative consolidation			-3,160			-3,160
Transfers between items	-44	731	13,719	-7,474	-22,717	-15,784
Transfer to long-term assets held for sale	-3,746	-45,013	-178,221	-38,563	-2,793	-268,336
Cost 31 December 2020	41,352	81,307	275,834	393,250	44,132	835,876
Accumulated depreciation and impairment 1 January 2020	-1,519	-55,972	-302,067	-250,337		-609,895
Translation differences (+/-)	-0	-46	-567	-772		-1,385
Accumulated depreciation on decrease and transfers	226	-378	10,814	4,481		15,143
Transfer to long-term assets held for sale	31	23,953	97,429	19,048		140,461
Depreciation for the period	-1,024	-7,550	-22,911	-11,814		-43,299
Impairment*	-442	-665	-12,437	-88,267		-101,811
Accumulated depreciation and impairment 31 December 2020	-2,728	-40,657	-229,739	-327,662		-600,786
Book value 31 December 2020	38,624	40,650	46,096	65,588	44,132	235,090

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Pre-payments and unfinished acquisitions	Total
Cost 1 May 2019	38,034	89,846	409,561	434,756	23,618	995,815
IFRS 16 acquisition cost 1 May 2019	10,422	30,316	4,534			45,272
Translation differences	44	275	1,137	1,143	53	2,652
Increase	1,560	4,301	34,025	18,626	19,681	78,193
Decrease	-2,398	-3,694	-25,929	-19,392	-4,188	-55,601
Transfers between items	-13	512	8,300	3,819	-14,422	-1,804
Cost 31 December 2019	47,648	121,556	431,628	438,953	24,743	1,064,528
Accumulated depreciation and impairment 1 May 2019	-972	-50,339	-274,464	-213,743		-539,518
Translation differences (+/-)		-140	-825	-605		-1,570
Accumulated depreciation on decrease and transfers		144	-523	1,755		1,376
Transfer to long-term assets held for sale	452					452
Depreciation for the period	-999	-5,624	-21,438	-7,773		-35,834
Impairment*		-13	-4,817	-29,971		-34,801
Accumulated depreciation and impairment 31 December 2019	-1,519	-55,972	-302,067	-250,337		-609,895
Book value 31 December 2019	46,129	65,584	129,561	188,616	24,743	454,633

*Any depreciation of land and water areas is included in impairment.

IFRS 16 right-of-use assets included in property, plant and equipment

Other notes concerning leases are presented in note 31.

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Total
Book value 1 January 2020	10,834	31,694	30,724	73,252
Increase	1,412	8,170	7,811	17,393
Decrease	-975	-7,862	-27,668	-36,505
Depreciation for the financial period	-1,446	-4,775	-4,924	-11,145
Translation difference	7	71	20	98
Book value 31 December 2020	9,832	27,298	5,963	43,093
Cost 1 May 2019	10,422	34,394	41,336	86,152
Increase	1,553	4,049	23,322	28,924
Decrease	-147	-3,280	-24,876	-28,303
Depreciation for the financial period	-999	-3,483	-9,072	-13,554
Translation difference	5	14	14	33
Book value 31 December 2019	10,834	31,694	30,724	73,252

Impairment

The carrying amounts of long-term tangible and intangible right-of-use assets are assessed for impairment on the balance sheet date and whenever there is any indication of impairment. In impairment testing, the recoverable amount of the right-of-use asset is estimated. The recoverable amount is the fair value of the right-of-use asset less the expenses arising from its disposal or its value in use, whichever is higher. An impairment loss is recognised in the income statement immediately if the carrying amount of the right-of-use asset exceeds its expected recoverable amount.

Impairment recognised on a right-of-use asset is cancelled in the event of a material change in the estimates used to determine the recoverable amount. The value of the right-of-use asset following such cancellation of impairment cannot exceed the value that the right-of-use asset would have had without the impairment recognised in the previous years, less accumulated depreciation.

During the comparison period 1 May-31 December 2019, the Group recognised impairment totalling EUR 36.9 million on tangible right-of-use assets. EUR 26 million of this impairment was allocated to the fuels business and EUR 10.8 million to the heating business.

13. Shares in associates and joint ventures

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Shares in associates	0	4 902
Shares in joint ventures *	16 735	16 735
Non-depreciated goodwill included in joint ventures	3 296	3 296

*Scandbio and Nevel Oy's associated companies have been classified as assets held for sale, see Note 3

Shares in associates and joint ventures

Information on the Group's significant associates and joint ventures:

Name	Primary industry	Domicile	Holding (%)	
			31 Dec. 2020	31 Dec. 2019
Scandbio AB, joint venture	Manufacture and sale of solid wood fuels	Jönköping	50	50

14. Other long-term financial assets

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Cost at the beginning of the period	709	808
Increase	438	
Decrease		-82
Transfers between items	-562	
Cost at the end of the period	585	726
Book value at the end of the period	585	726

15. Long-term receivables

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Long-term interest-bearing receivables		
Loan receivables from others	3,183	3,183
Long-term non-interest-bearing receivables		
From others	52	138
Total	3,235	3,321

16. Other long-term investments

The Group has no other long-term investments.

17. Deferred taxes

EUR 1,000	1 Jan. 2020	Recognised in the income statement	Recognised in shareholders' equity	Acquired/divested companies	31 Dec. 2020
Itemisation of deferred tax assets					
Losses	167				167
Provisions	1,531	689			2,220
Other items	-1,164	383	-89	-117	-987
Total	534	1,072	-89	-117	1,400
Itemisation of deferred tax liabilities					
Depreciation difference and provisions	10,806	-1,432			9,374
Fair value measurement of intangible and tangible assets in business combinations	9,390				9,390
Other items	-1,761	-1,490	-266	-4,477	-7,994
Total	18,434	-2,922	-266	-4,477	10,769
Deferred taxes on the balance sheet					
Deferred tax assets					1,400
Deferred tax liability					10,769
Net tax liability					9,369

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes related to the same fiscal authority.

On 31 December 2020, the Group had EUR 0.0 million (31 December 2019: EUR 8.3 million) in confirmed losses for which deferred tax assets were not recognised because the Group is unlikely to accrue taxable income against which the losses could be offset. The losses in question will not expire.

EUR 1,000	1 May 2019	Recognised in the income statement	Recognised in shareholders' equity	Acquired/divested companies	31 Dec. 2020
Itemisation of deferred tax assets					
Losses	167				167
Provisions	563	968			1,531
Other items	411	-1,415		-160	-1,164
Total	1,141	-447		-160	534
Itemisation of deferred tax liabilities					
Depreciation difference and provisions	11,037	-231			10,806
Fair value measurement of intangible and tangible assets in business combinations	9,390				9,390
Other items	147	-1,520	-389		-1,762
Total	20,574	-1,751	-389		18,434
Deferred taxes on the balance sheet					
Deferred tax assets					534
Deferred tax liability					18,434
Net tax liability					17,900

Deferred tax assets on losses not recognised in the balance sheet amounted to EUR 14.5 million (31 December 2019: EUR 1.6 million).

18. Inventories

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Materials and supplies	46,863	54,629
Unfinished products	557	29
Finished products	139,146	135,014
Prepayments from inventories	1,339	620
Total	187,905	190,291

19. Sales and other receivables

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Sales receivables		
Sales receivables	59,209	72,000
Credit loss provision	-879	-299
Associates' sales receivables	111	183
	58,442	71,883
Short-term other receivables and accrued income		
Loan receivables	200	207
Other short-term receivables	5,001	7,000
Short-term accrued income (from others)	3,104	4,443
	8,305	11,650
Financial assets measured at fair value through profit or loss		
Derivative instruments, no hedge accounting	138	3,369
Total	66,885	86,902

The short-term sales receivables are divided by currency as follows:

EUR 1,000	31 Dec. 2020	31 Dec. 2019
EUR	46,573	59,922
USD	1,351	1,219
SEK	7,623	10,606
Other currencies	3,662	253
Total	59,209	72,000

Age distribution of sales receivables and recognised credit losses

Credit loss history

Financial year (EUR 1,000)	Turnover	Receivables	Credit losses	% of receivables
FY2016	359,027	63,674	34	0.05%
FY2017	348,922	62,354	66	0.11%
FY2018	419,803	68,213	93	0.14%
FY2019	460,827	94,343	96	0.10%
FY20198 (1 May-31 December 2019)	297,748	72,000	79	0.11%
FY2020	544,913	59,209	361	0.61%
Average			122	

Age distribution of due receivables/credit loss provision

Sales receivables	Carrying amount	Expected credit loss	EUR
Not yet due	54,684	0.02%	11
Due under 30 days	15,243	0.00%	0
Due 31-60 days	898	1.00%	9
Due 61-91 days	337	3.00%	10
Due over 90 days	1,894	44.80%	849
Total	73,056	1.20%	879
Credit loss provision/IFRS 9			
	31 Dec. 2020		879
	31 Dec. 2019		299

Age distribution of accounts receivable

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Not yet due	45,349	60,879
Due under 30 days	12,692	6,122
Due 31-60 days	366	1,535
Due 61-91 days	175	590
Due over 90 days	555	2,874
Total	59,137	72,000
Credit losses	361	79

20. Cash assets

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Cash and cash equivalents	13,366	6,326

21. Notes to equity**Shareholders' equity**

Vapo Oy has one class of shares. The total number of shares is 30,000. Vapo's share capital on 31 December 2020 amounted to EUR 50,456,377.90. The nominal value of the share has not been defined. There are 30,000 shares outstanding.

Descriptions of the equity funds are presented below:

The invested unrestricted equity fund consists of other equity-type investments and the subscription price of shares to the extent that it is not recognised in share capital according to a case-specific decision.

The reserve fund is a fund pursuant to the Estonian Commercial Code, equal in size to 10% of the separate company's share capital. The company must transfer 10% of its annual earnings to the fund until the required amount is reached.

Translation differences comprise foreign exchange-denominated changes in foreign subsidiaries' equity and post-acquisition retained earnings.

22. Financial liabilities

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Long-term financial liabilities measured at amortised cost		
Bonds	178,649	178,574
Loans from financial institutions	33,433	33,004
Pension insurance (TyEL) loans	10,000	
Lease liabilities	35,728	66,850
Total	257,810	278,428
Short-term financial liabilities measured at amortised cost		
Bonds		
Loans from financial institutions	8,549	31,494
Overdraft facility	624	3,912
Commercial papers	41,178	
Lease liabilities	7,481	10,802
Other liabilities to associates	265	246
Total	58,098	46,453

Long-term debt repayment schedule (per calendar year/nominal values)

EUR 1,000	2021	2022	2023	2024	2025	2026 ->	Total
Bonds	0	0	0	110,000	0	70,000	180,000
Loans from financial institutions	3,004	35,569	3,342	842	338	338	43,433
Lease liabilities	7,740	7,415	6,345	4,667	3,949	13,125	43,241
Total	10,744	42,984	9,687	115,509	4,287	83,463	266,674

The interest-bearing liabilities are measured at nominal values in the financial statements as they are equal to the fair values.
The interest-bearing liabilities are euro-denominated.

Summary of the terms of the liabilities

EUR 1,000	Nominal interest rate, %	Maturing in	Carrying amount 31 Dec. 2020	Nominal value 31 Dec. 2020	Carrying amount 31 Dec. 2019	Nominal value 31 Dec. 2019
Bonds	2.7%	2024-2030	178,649	180,000	178,574	180,000
Loans from financial institutions	1.6%	2022	30,000	30,000	64,482	64,482
Pension insurance (TyEL) loans	0.8%	2021-2023	10,000	10,000		
Lease liabilities	0.9-3.5%	2021-2050	43,241	50,074	77,652	86,679
Commercial paper debt	0.3-0.4%	2021	41,178	41,200		
Other liabilities	0.9-1.0 %	2020-2021	12,872	11,983	4,173	4,173
Total			315,940	323,257	324,881	335,334

The bonds are senior unsecured bonds. Part of the loans from financial institutions (EUR 8.5 million) are secured. On the financial statements date, the value of the pledged collateral was EUR 29.8 million. The collateral consisted of receivables and inventories. The financing terms and changes during the financial year are described in more detail in note 27.

23. Long-term non-interest-bearing debt

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Connection fee debt	1,208	6,813
Advances received		479
Other liabilities	730	863
Total	1,938	8,155

24. Provisions

EUR 1,000	Environmental expense provisions	Other provisions	Total
Provisions 1 January 2020	7,409	245	7,653
Translation difference	198		198
Increases in provisions	3,675	24	3,698
Used provisions	-426	-25	-451
Provisions 31 December 2020	10,856	244	11,099
Provisions 1 May 2019	7,269	260	7,529
Translation difference	72		72
Increases in provisions	549		549
Used provisions	-481	-16	-496
Provisions 31 December 2019	7,409	245	7,653

25. Pension liabilities

The statutory pension security of the Group's Finnish companies is arranged with a Finnish pension insurance company. The statutory employment security is a defined contribution plan.

The Group's Estonian subsidiary AS Tootsi Turvas has defined contribution pension plans as well as a defined benefit pension plan under which the company is obligated to pay a fixed pension to 17 employees under pre-specified conditions. The average gross monthly wage in Estonia in

2001 is the basis of the benefit. This sum is adjusted annually in accordance with the change in the cost-of-living index and factors related to the person's employment relationship. The liability to pay the pension benefit arises when the employee entitled to the benefit turns 65. The liability is discounted on the basis of the estimate that the liability will continue until 2042, considering the statistical life expectancy. The statistical life expectancy was updated to correspond to the latest statistics in Estonia.

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Liability shown in the balance sheet at the start of the period	5,004	4,806
Expenses in the income statement	474	348
Contributions made to the plan	-257	-150
Mergers, acquisitions and divestments	-336	
Liability shown in the balance sheet at the end of the financial year	4,885	5,004
Actuarial assumptions		
Discount rate, %	1.00%	1.00%

26. Accounts payable and other short-term debt

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Short-term financial liabilities measured at amortised cost		
Advances received	15,757	15,008
Accounts payable	86,382	65,029
Accounts payable to associates	0	736
Total	102,140	80,774
Other liabilities		
Other liabilities	8,127	11,618
Interest liabilities and other financial liabilities	2,587	3,834
Salary and social expense allocations	10,165	9,343
Other accrued expenses	22,749	14,470
Financial liabilities measured at fair value through profit or loss		
Derivative instruments, no hedge accounting	1,810	1,616
Accounts payable and other short-term debt total	147,578	121,655

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Material items included in other liabilities		
Value added tax liability	4,763	7,749
Other employee expense liabilities	3,364	3,869
Total	8,127	11,618
Material items included in accrued expenses		
Accrual of purchase invoices	15,718	13,807
Other accrued expenses	7,128	1,019
Total	22,846	14,826

The short-term accounts payable are divided by currency as follows

EUR 1,000	31 Dec. 2020	31 Dec. 2019
EUR	78,068	57,607
USD	9	303
GBP	0	3
SEK	8,273	6,699
Other currencies	32	417
Total	86,382	65,029

27. Financial and commodity risk management

The company's operations are exposed to diverse financial risks. The primary aim of financial risk management is to minimise the negative effects of market prices of currencies and interest rates related to operation on the Group's profit and cash flow as well as ensure the liquidity of the Group. The main financial risks are currency risk, interest rate risk and liquidity risk. The Group treasury is responsible for identifying and managing financial risks. Financial risk management is guided by the financial policy ratified by the Board of Directors.

The Group treasury acts as a counterparty for the Group's subsidiaries and takes care of external fundraising centrally. It is also responsible for the administration of cash assets and cash flows as well as hedging measures according to the financial policy. The Group's risk management tools include currency derivatives and options, currency swaps, foreign currency loans, interest rate swaps and diverse commodity derivatives.

MEUR	31 Dec. 2020				31 Dec. 2019			
	Position	Hedging	Net	Hedging %	Position	Hedging	Net	Hedging %
EUR	4.3	4.7	-0.4	109%	5.0	4.7	0.2	95%
SEK	84.1	84.1	0.0	100%	81.4	81.4	0.0	100%
USD	1.7	1.7	0.0	100%	1.1	1.1	0.1	94%
Total	90.1	90.5	-0.4	100%	87.5	87.2	0.3	99%

Currency risk

The Group operates internationally and is, therefore, exposed to currency risks. Currency risks arise from exports and imports, the Group's internal trade, the Group's currency-denominated internal financing (transaction risk) and currency-denominated net investment in foreign subsidiaries (translation risk). The majority of the turnover is generated in the euro area. The Group's most significant internal financing currency is the Swedish krona.

The hedging policy is to hedge essential currency exposures in full. The currency exposures comprise currency-denominated receivables, liabilities and order backlogs. In addition, the Group hedges its internal SEK-denominated financing items. The hedging complies with the Group's financing policy, but hedge accounting is not applied to these items. The Group treasury makes currency forwards in the market mainly in the name of the subsidiary. Foreign exchange-denominated loans are always in the name of the Group's parent company. At the end of the year, Vapo's transaction risk, translated into euros at the exchange rate of the closing date, was:

The Group has foreign net investments and it is, therefore, exposed to risks emerging from the translation of currency-denominated investments into the parent company's operating currency (translation risk). Currency-denominated net investments in subsidiaries are not hedged. The most significant translation risks are in the Swedish krona.

At the closing date, the Group's net investments in euros were:

MEUR	31 Dec. 2020	31 Dec. 2019
SEK	36.7	36.7

The table below indicates the strengthening or weakening of the euro against the Group's main currencies: Net investments in subsidiaries are not included in the sensitivity analysis. The currency risk sensitivity analysis is based on Group-level total currency hedges. The total combined effect of a change of +/- 10 per cent of the exchange rate of the euro against other currencies is presented below.

MEUR		31.12.2020	31.12.2019
Euro strengthens by 10%	+/-	-9.0	-8.7
Euro weakens by 10%	+/-	9.0	8.7

Liquidity and refinancing risk

The COVID-19 pandemic caused significant uncertainty in the financial markets in spring 2020. The disruption led to the commercial paper market being partially crippled during the spring and summer. The Group's liquidity remained good during the financial year in spite of the market disruptions. The Group temporarily increased its liquidity in the spring by drawing a TyEL premium loan of EUR 10 million and by emitting commercial papers worth EUR 30 million with maturities of 1-3 months. The good cash flow of the Group's businesses also supported liquidity. A bilateral loan that matured in June was repaid and not renewed. In addition, the Group purchased EUR 20.1 million worth of bonds at their nominal value following a tender offer for the hybrid notes carried out at the end of June.

The hybrid bond issued in 2016 is a perpetual bond. It is likely that the bond will be redeemed in 2021, as the terms of the bond give the issuer the right to redeem the notes at their nominal value five years after their issuance. If the bond is not redeemed, the coupon rate will increase by five percentage points to 11.5%.

Of the EUR 150 million commercial paper programme, EUR 41.2 million had been issued at the end of the financial period. Standby credit facilities, totalling EUR 100 million, were fully un-

used during the financial period. A standby credit agreement of EUR 50 million that expired in December was not extended, as an agreement on the sale of Nevel Oy's shares to Ardian was already in place and, consequently, the other EUR 50 million standby credit agreement was deemed to provide adequate reserve liquidity for the time being.

The Group expects that no significant new loan arrangements are necessary during the coming financial year. The payment received in January 2021 for Nevel Oy's shares provides a sufficient liquidity buffer in the medium term. The Group will assess the potential need for new financing arrangements in late 2021.

The Group actively monitors the amount of financing required by the business operations so that the Group's liquidity is sufficient for financing the operations and the Group is able to cover also other financing obligations. Liquidity is managed by balancing the proportional share of short-term and long-term loans and the repayment schedules of long-term loans. In addition, the risk related to the availability and price of financing is managed by distributing fundraising among different banks and capital markets.

Vapo met the covenants and other terms associated with financing agreements during the financial year, taking into account the waiver

agreements concluded with financing partners, pursuant to which the Group's equity ratio can temporarily fall below 35% (but remain above 25%) until 31 January 2021. The equity ratio was substantially influenced by significant non-recurring write-downs related to peat production. The Group's equity ratio subsequently returned to a level above 35% following a profit recognised on the sale of Nevel Oy's shares in January 2021.

The Group's equity ratio at the closing date was 27.9 per cent. Bilateral loan agreements include a 35 per cent equity covenant and a change-of-control clause, according to which the combined holding of the current owners (the Finnish State and Suomen Energiavarat Oy) must remain above 50%. Bonds also include a change of control clause but they do not include a financial covenant. The Group's long-term private placement bonds maturing in 2030 (amounting to EUR 70 million in total) include a clause related to Vapo Group's credit rating. According to the clause, the investor has the right to demand the partial or full repayment of debt in the event that Vapo's credit rating falls by two notches from its current level of BBB.

The cash flows of the repayments and financial expenses related to Vapo's interest-bearing debt and cash flows of derivatives were as follows:

MEUR	< 1 year	1-5 years	> 5 years
Long-term loans			
Repayments	12.1	181.1	101.3
Financial expenses	7.1	22.3	13.3
Short-term loans			
Repayments	49.7		
Derivative liabilities			
Income	86.6	2.2	0.0
Expenses	6.5	0.0	0.0
Total	162.2	205.6	114.6

Interest rate risk

The Group's interest-bearing net debt stood at EUR 327.7 million (EUR 315.2 million) on the balance sheet date. The Group aims to hedge against the essential impacts on the interest-bearing liabilities and receivables on the balance sheet caused by changes in interest rates. Interest rate swaps are primarily used as hedging instruments. Interest rate risk is measured with the average interest rate tying period of the debt portfolio (gap). The average interest rate tying period of the debt portfolio on 31 December 2020, including derivative instruments, was 4.9 (5.4) years. The weighted average interest rate of long-term loans including hedging was 2.5 (2.4) per cent.

The interest rate risk sensitivity analysis is based on the combined company-level interest rate risk

comprising interest-bearing liabilities and derivatives, such as interest rate swaps that hedge against interest rate risk. An increase of interest rates by one percentage point, with the other factors remaining unchanged, would increase the interest expenses of Vapo's interest-bearing liabilities and receivables that will be repriced within the next 12 months by EUR +0.3 million excluding tax effects.

Interest rate derivatives are measured at full market value and the effect of changes is recognised in the income statement.

Market risk of investing activity

The Group is exposed to price risk due to fluctuation in the market prices of publicly quoted shares in its operations. The Group does not have publicly listed shares or other securities.

Counterparty and credit risk

Counterparty risks related to depositing cash assets and financing and commodity derivative instruments are managed by only making agreements and transactions with creditworthy parties that operate actively in the market.

The business units are liable for credit risks related to commercial receivables. Business-related credit risk is decreased through credit insurance and customer-specific credit limits, among other measures.

The Group does not have any significant concentrations of credit risk.

Price risk of emission rights

Some of the Group's power plants (Nevel Oy and Nevel Ab) are included in the sphere of the EU emissions trading system. The Group received emission rights without consideration for the financial period in the national allocation, in addition to which emission rights were acquired from the market to fulfil the obligations for 2020. Nevel Oy and Nevel Ab are no longer part of the Group from January 2021 onwards. Going forward, the emission trading obligations apply to Novactor's activated carbon production facility.

During the new emissions trading period, 2021–2030, the Group will not receive any emission rights in the national allocation plan. The Group will acquire the necessary emission rights from the market. The price risk of emission rights is hedged by EUA swaps.

Price risk of electric energy

The Group's Finnish companies purchase electric energy from the market, and correspondingly the electricity generated by the power plants is sold to the market. The price risk of physical electricity is hedged using derivative instruments in accordance with the electricity trading policy. An electricity broker chosen as the partner is responsible for the practical hedging measures related to electricity trading and related investigations.

The maturity of the hedges made ranges from 1 month to 5 years. The amount of energy covered by hedging is 185 GWh

Capital management

The aim of the Group's capital management is to facilitate growth according to the strategy of the business operations while optimising the total costs of capital.

Hybrid bond

Equity includes EUR 29.9 million in a hybrid bond withdrawn in 2016. The hybrid bond carries a fixed annual coupon of 6.5% for the first five years and at least 11.5% thereafter. The hybrid bond does not have a maturity date, but the company has the right to redeem it five years after its issuance. The hybrid bond is subordinated to the company's other debt instruments. It is, however, senior to other equity instruments. The interest on the hybrid loan is paid if the Annual General Meeting decides to distribute a dividend. If dividend is not distributed, the company will decide separately on whether to pay the interest. Hybrid loan holders have no control over the company and no right to vote at shareholders' meetings.

In accordance with the dividend policy, Vapo Oy aims to annually distribute 50 per cent of the annual profit shown in the parent company's financial statements on average, unless this compromises the preconditions for financing.

Net gearing was as follows:

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Interest-bearing debt	344,443	324,882
Interest-bearing receivables	-3,383	-3,390
Cash and cash equivalents	-13,366	-6,326
Net debt	327,694	315,166
Shareholders' equity total	207,376	348,481
Net gearing	158.0%	90.4%

28. Fair values of financial assets and liabilities

EUR 1,000	31 Dec. 2020			31 Dec. 2019		
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Contract						
Currency derivatives, no hedge accounting	161	-245	-84	153		153
Electricity derivatives, no hedge accounting	256	-507	-251	588	-91	498
Emission right derivatives, no hedge accounting	178		178	915		915
Short-term derivative agreements	595	-752	-157	1 656	-91	1,565

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Nominal value of currency derivatives	91,197	86,992
Nominal value of electricity derivatives	5,108	4,879
Nominal value of emission rights	476	2,218
Short-term	96,781	94,089

Fair value hierarchy

Vapo determines and presents the fair value classification of financial instruments according to the following hierarchy:

- Level 1. Financial instruments for which there is a publicly quoted market price
- Level 2. Instruments whose measurement uses directly observable market prices
- Level 3. Instruments with no direct market prices available for measurement.

Level 1 includes stock exchange-listed shares, level 2 derivatives and level 3 investments in unquoted shares. There were no transfers of instruments between the hierarchy levels.

EUR 1,000	31 Dec. 2020				31 Dec. 2019			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
ASSETS MEASURED AT FAIR VALUE								
Financial assets measured at fair value through profit or loss - held for trading								
Derivatives - no hedge accounting	595	0	595	0	1 656	0	1 656	0
Total	595	0	595	0	1 656	0	1 656	0
LIABILITIES MEASURED AT FAIR VALUE								
Financial liabilities measured at fair value through profit or loss - held for trading								
Derivatives - no hedge accounting	-752	0	-752	0	-91	0	-91	0
Total	-752	0	-752	0	-91	0	-91	0

29. Subsidiaries and significant non-controlling interests

The following table presents information on the Group's structure on the financial statements date

Country	Company	Holding, %	
		Group	Parent company
Australia	Kekkilä-BVB Australia Pty Ltd	70%	0%
Belgium	Haasnot BVBA	70%	0%
Spain	Kekkilä Iberia S.L.	70%	0%
The Netherlands	Bas van Buuren B.V.	70%	0%
	BVB Gardening B.V.	70%	0%
	BVB Landscaping B.V.	70%	0%
	BVB Research B.V.	70%	0%
	BVB Substrates B.V.	70%	0%
	Bogro B.V.	70%	0%
	Euroveen B.V.	70%	0%
	Euroveen Logistics B.V.	70%	0%
	Geluc B.V.	70%	0%
	Veenbas Potgrond B.V.	70%	0%
Germany	BVB Gardening GmbH	70%	0%
Finland	Grow & Care Materials Oy	70%	0%
	Kekkilä-BVB Oy	70%	70%
	Kekkilä Oy	70%	0%
	Nevel Oy	100%	100%
	Piipsan Turve Oy	48%	48%
	Suo Oy	100%	100%
Sweden	BVB Substrates AB	70%	0%
	Hasselfors Garden AB	70%	0%
	Neova AB	100%	100%
	Nevel AB	100%	0%
Estonia	AS Tootsi Turvas	100%	100%
	Kekkilä Eesti Oü	70%	0%
	Nevel Eesti Oü	100%	100%

As the Group has control over Piipsan Turve Oy based on a shareholders' agreement, the company is consolidated as a subsidiary. Non-controlling interests own 51% (51%) of the company. Among Vapo Oy's subsidiaries, Kekkilä-BVB Oy has non-controlling interests with a shareholding of 30% (30%).

Vapo Clean Waters Ltd was merged into Vapo Oy on 1 May 2020.

Nevel Eesti OÜ:n shares were transferred in exchange for share-based consideration to Salon Energiatuotanto Oy on 20 May 2020 and Salon Energiantuotanto Oy was merged into Nevel Oy on 31 October 2020.

Itemisation of significant non-controlling interests in the Group

EUR 1,000	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
	Share of profit/loss attributable to non-controlling interests		Share of equity attributable to non-controlling interests	
Subsidiaries in which there are non-controlling interests, but which are not significant individually				
Kekkilä-BVB	-3,226	679	41,244	39,915
Other	-40	-120	635	725
Total	-3,266	559	41,879	40,640
	2,9%	0,0%	20,5%	11,7%

30. Contingent commitments

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Loans with real security		
Loans from financial institutions	8,549	11,506
Guarantees given on behalf of own commitments		
As collateral for own debt		
Pledged inventories and fixed assets	29,812	22,577
Liabilities for other own commitments		
Guarantees	14,228	19,617
Total	52,589	53,700
Contingent commitments on behalf of Group companies		
Guarantees	36,658	38,462

Other financial liabilities

Companies are obligated to revise their value added tax deductions for completed property investments if the taxable use of the property decreases during the period under review.

	Maximum liability EUR 1,000	Last review year
Investment completed in 2011	374	2020
Investment completed in 2012	0	2021
Investment completed 012013-042014	0	2022
Investment completed 052014-042015	4	2023
Investment completed 052015-042016	32	2024
Investment completed 052016-042017	7	2025
Investment completed 052017-042018	68	2026
Investment completed 052018-042019	2	2027
Investment completed 052019-122019	0	2028
Investment completed 012020-122020	65	2029
Total	553	

The Group has a commitment related to investments in Vapo Lämpövoima Ky.
The unpaid commitments on 31 December 2020 amounted to EUR 6.0 million.

31. IFRS16

Amounts entered in the income statement

The income statement includes the following amounts related to leases

IFRS 16 leases	1-12/2020	5-12/2019
Interest expenses	-1,837	-1,255
Expense relating to short-term leases	-1,718	-662
Expense relating to leases of low-value assets	-491	-189
Expense relating to variable lease payments	-548	-909
Depreciation		
Land areas	-1,446	-999
Buildings	-4,775	-3,263
Machinery and equipment	-4,924	-1,623
Other tangible assets		-543
Total depreciation	-11,145	-6,428
Amount affecting cash flow		
Cash outflow for leases	-13,725	-14,636

32. Transactions with related parties

Business transactions and open balances with related parties

Vapo complies with the provisions of the Finnish Limited Liability Companies Act and IAS24 with regard to monitoring transactions with related parties. The Group's related parties include its subsidiaries and associates as well as the Board of Directors and CEO of the Group's parent company. The spouses and other family members living in the same household of the aforementioned individuals are also considered related parties. The related parties can also include entities under the control or influence of the aforementioned individuals.

In order to reliably monitor transactions with related parties, Vapo maintains a Group register of related parties. The information in the register is obtained from the related parties themselves annually. The register is not public and the information it contains are not disclosed to third parties with the exception of the authorities and auditor.

A list of the Group's significant associates and joint ventures is provided in Note 13 "Shares in associates and joint ventures".

Transactions with, receivables from and liabilities to related parties

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Associates		
Sales	1,244	426
Receivables	111	183
Liabilities	265	246
Joint ventures		
Sales	10	5
Purchases		-142
Receivables	1	1
Liabilities		

Management salaries and fees are itemised in Note 6 "Expenses arising from staff benefits".

Senior management's employment benefits and loan receivables

The senior management comprises the Board of Directors and the CEO.

The CEO has an incentive bonus linked to financial targets for the financial year and long-term incentive schemes, each amounting to, at a maximum, 40 per cent of the annual salary. In accordance with the decision of the Board of Directors, the main principles used to determine this incentive bonus are linked to Vapo Group's operating margin, operating result and cash flow.

The CEO's period of notice is six months if he is dismissed by the Board of Directors, in addition to which he is entitled to compensation corresponding to 6 months' salary. If the CEO resigns, the period of notice is six months.

The company does not have share option plans.

The CEO's retirement age is the lower limit for old-age pension pursuant to the Employees Pensions Act in effect at the time.

The Group CEO is covered by a pension scheme pursuant to the Employees' Pensions Act. In addition, the CEO is entitled to a defined contribution collective supplementary pension insurance to which Vapo contributes an amount equivalent to 10 per cent of the CEO's total annual salary (12 x monthly salary), excluding bonuses, every year. There were no loan receivables from the senior management on 31 December 2020 and 31 December 2019.

Parent company's financial statements, FAS

Parent company's income statement

EUR 1,000	Note	1-12/2020	5-12/2019
TURNOVER	2	175,290	114,676
Change in stock levels of finished and unfinished products		-2,745	31,731
Production for own use		0	0
Other operating income	3	7,469	6,538
Materials and services	4	-82,810	-79,201
Expenses arising from staff benefits	5	-21,154	-16,369
Depreciation and impairment	6	-114,783	-43,829
Other operating expenses	7	-81,241	-47,869
OPERATING PROFIT		-119,973	-34,323
Financial income	8	7,031	2,126
Financial expenses	8	-29,353	-6,440
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		-142,295	-38,637
Appropriations	9	18,156	-8,132
Direct taxes	10	0	7,579
PROFIT/LOSS FOR THE PERIOD		-124,139	-39,190

Parent company's balance sheet

EUR 1,000	Note	31 Dec. 2020	31 Dec. 2019
ASSETS			
Non-current assets			
Intangible assets	11	5,498	6,930
Tangible assets	12	102,417	191,316
Investments *)	13	132,198	149,256
Non-current assets total		240,114	347,502
Current assets			
Inventories	14	129,914	121,446
Long-term receivables *)	15	139,506	127,044
Short-term receivables	16	35,377	55,023
Cash on hand and in the bank		11,708	2,770
Current assets total		316,506	306,283
ASSETS		556,620	653,785
LIABILITIES			
Shareholders' equity			
Share capital		50,456	50,456
Other funds		30,096	30,096
Retained earnings		146,368	197,857
Profit/loss for the period		-124,139	-39,189
Dividend distribution		-3,990	-12,300
Hybrid bond		0	
Shareholders' equity total	17	98,791	226,921

EUR 1,000	Note	31 Dec. 2020	31 Dec. 2019
Accrual of appropriations *)		11,728	29,884
Mandatory provisions	18	5,568	2,774
Liabilities			
Long-term interest-bearing liabilities	19	251,963	261,563
Long-term non-interest-bearing liabilities	19	0	189
Current interest-bearing liabilities	20	79,511	49,818
Current non-interest-bearing liabilities	20	109,059	82,636
Liabilities total		440,533	394,206
LIABILITIES		556,620	653,785

Parent company's cash flow statement

1 000 eur	1-12/2020	5-12/2019
Cash flow from operating activities		
Profit/loss for the period	-124,139	-39,189
Adjustments to the result for the period		
Depreciation and impairment	114,783	43,829
Financial income and expenses	22,322	4,324
Income taxes	0	-7,579
Other adjustments	-23,183	5,705
Adjustments to the profit/loss for the period total	113,922	46,279
Increase (-)/decrease (+) in inventories		
Increase (-)/decrease (+) in short-term non-interest-bearing business receivables	-8,468	-33,142
Increase (+)/decrease (-) in short-term non-interest bearing debt	5,529	-4,162
Change in provisions	26,459	32,173
Change in working capital total	2,794	-42
Käyttöpääoman muutos yhteensä	26,314	-5,173
Interest paid	-8,838	-5,806
Interest received	3,680	2,163
Other financial items	-4,618	-763
Taxes paid	3,087	-687
Cash flow from operating activities	9,407	-3,175

1 000 eur	1-12/2020	5-12/2019
Cash flow from investing activities		
Investments in tangible and intangible assets	-34,799	-14,178
Proceeds from disposal of tangible and intangible assets	14,849	8,497
Subsidiary shares bought	-0	-774
Subsidiary shares sold	1,001	
Proceeds from investments consolidated using the equity method		547
Other investments		-1,741
Increase (-)/decrease (+) in long-term loan receivables	-10,002	-38,077
Repayments of loans receivable	3,500	38,279
Increase (-)/decrease (+) in short-term loan receivables	8,722	-758
Dividends received from operating activities	72	120
Cash flow from investing activities	-16,656	-8,085
Cash flow from financing activities		
Increase (+)/decrease (-) in short-term loans	49,693	-60,604
Proceeds from long-term loans	14,753	100,000
Repayment of long-term loans	-44,353	-16,890
Dividends paid	-3,990	-12,300
Cash flow from financing activities	16,103	10,206
Change in cash and cash equivalents	8,854	-1,054
Cash and cash equivalents opening balance	2,771	3,826
Change in cash and cash equivalents	8,854	-1,054
Cash and cash equivalents at end of period	11,626	2,771
Cash and cash equivalents, other arrangements	-83	0

Parent company's notes

1. Accounting principles applied in the financial statements

Vapo Oy's financial statements have been prepared in accordance with the Finnish Accounting Act. The Group has adopted the international financial reporting standards (IFRS) as of 1 January 2006.

Currency-denominated items and derivative agreements

Foreign exchange-denominated business transactions are recognised at the exchange rate of the transaction date and assets and liabilities on the balance sheet at the closing date are translated at the exchange rate on the closing date. Exchange rate differences are recognised in exchange rate differences in financing.

Derivative agreements made to cover currency risks are measured at the exchange rate at the closing date. The interest factor included in derivatives is allocated to the agreement period, and exchange rate differences of agreements hedging liabilities or receivables on the balance sheet are recorded as exchange rate differences in financial income and expenses.

Turnover and principles of revenue recognition

Revenue recognition takes place when the output is handed over. In calculating turnover, the indirect taxes, discounts granted and complaint-related reimbursement is deducted from the proceeds of sale.

Other operating income and expenses

Other operating income includes capital gains from property, plant and equipment, rental revenue, gains from emission rights sold and received subsidies. Other operating expenses include capital losses from property, plant and equipment, actual expenses of emission rights and sale freight expenses, credit losses, sales provisions and other operating expenses.

Research and development expenditure

Research and development expenditure is recognised through profit or loss for the year during which they are incurred.

Property, plant and equipment and depreciation

The balance sheet values of property, plant and equipment is based on initial cost less annual depreciation and impairment. Property, plant and equipment is depreciated according to

plan based on the financial useful life using the straight-line method or based on use. Economic lifetimes are 5–10 years for intangible assets and 3–40 years for tangible assets.

Emission rights

Emission rights are handled as intangible rights measured at cost. The measurement value of emission rights received without consideration is nil. A provision for fulfilling the obligation to return the emission rights is recorded if the emission rights received without consideration are not sufficient to cover the actual amount of emissions. Therefore, the possible impact on the result is the difference between actual emissions and emission rights received.

Leasing

In the parent company's financial statements, leasing fees are recognised as an annual expense.

Inventories

Inventories are measured at the less of cost or probably replacement value or sales price. The value of inventories is determined using the FIFO method.

The cost of inventories also includes the allocated part of fixed procurement and manufacturing expenses, which as allocated to products according to the normal utilised capacity of the production unit. The inventories of peat production include peat reserved processed ready for sale, i.e. the peat sales inventory. Peat reserves not processed ready for sale are handled as peat substance in fixed assets and depreciated according to use.

Taxes

Income taxes are recognised in accordance with Finnish tax legislation. Deferred tax assets are presented in the notes.

2. Turnover

EUR 1,000	1-12/2020	5-12/2019
Finland	174,118	114,406
Other countries	1,172	270
Total	175,290	114,676

3. Other operating income

EUR 1,000	1-12/2020	5-12/2019
Rental revenue	736	239
Grants and public subsidies	335	-11
Capital gains from equity	5,996	3,346
Other income	402	2,963
Total	7,469	6,538

4. Materials and services

EUR 1,000	1-12/2020	5-12/2019
Purchases during the period	-61,037	-39,789
Change in inventories	10,543	3,136
External services	-32,316	-42,548
Total	-82,810	-79,201

5. Notes concerning personnel and members of administrative bodies

EUR 1,000	1-12/2020	5-12/2019
Personnel expenses		
Salaries and fees	-17,744	-13,383
Pension expenses	-2,882	-2,662
Other personnel expenses	-529	-324
Total	-21,154	-16,369

Management salaries, fees and fringe benefits total

CEO	499	394
Members of the Board of Directors	278	167
Members of the Supervisory Board	16	12
Other Management Team members	1,929	1,316
Total	2,721	1,889

Number of personnel

Average during the financial period	295	387
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6. Depreciation and impairment

EUR 1,000	1-12/2020	5-12/2019
Intangible rights	-1,436	-1,260
Buildings and structures	-491	-675
Machinery and equipment	-5,516	-6,081
Other tangible assets	-7,630	-10,577
Planned depreciation total	-15,073	-18,593
Impairment of equity assets	-99,710	-25,237
Total	-114,783	-43,830

7. Other operating expenses

EUR 1,000	1-12/2020	5-12/2019
Rents	-5,486	-4,826
Cost of sales freight	-29,433	-17,783
ICT and other services	-9,090	-9,090
External transport	-4,996	-4,996
Capital losses from equity	-959	-919
Audit costs, actual audit	-162	-103
Audit costs, attestations and statements	-1	0
Audit costs, other expert services	-97	-56
Audit costs, tax advice	-73	-29
Audit costs total	-333	-187
Other expenses	-30,945	-10,068
Total	-81,241	-47,869

8. Financial income and expenses

EUR 1,000	1-12/2020	5-12/2019
Dividend income from Group companies	72	120
Dividend income from others	0	0
Income from shares	72	120
Interest income from Group companies	3,625	2,122
Interest income from others	43	46
Other financial income from others	0	0
Other interest and financial income	3,668	2,168
Interest expenses to Group companies	0	0
Interest expenses to others	-8,679	-5,614
Other financial expenses to others	-824	-758
Other interest and financial income	-9,504	-6,372
Financial income and expenses total	-5,763	-4,084
Foreign exchange gains	3,291	-163
Foreign exchange losses	-3,794	-9
Exchange rate differences in financing	-503	-172
Impairment of Group shares and receivables	-16,056	-59
Financial income total	7,031	2,125
Financial expenses total	-29,353	-6,440

9. Appropriations

EUR 1,000	1-12/2020	5-12/2019
Change in depreciation difference		
Intangible assets	708	-1,721
Buildings and structures	397	184
Machinery and equipment	8,117	-878
Other tangible assets	8,934	-5,718
Total	18,156	-8,132

10. Direct taxes

EUR 1,000	1-12/2020	5-12/2019
Income taxes from actual operations	0	7,579

11. Intangible assets

EUR 1,000	Intangible rights	Other intangible assets	Pre-payments	Total
Cost 1 January 2020	30,359	76	3,108	33,543
Increase	3,932	85	1,490	5,507
Decrease	-3,723		-161	-3,884
Transfers between items			-524	-524
Cost 31 December 2020	30,567	161	3,914	34,642
Accumulated depreciation 1 January 2020	-26,540	-73		-26,613
Depreciation for the period	-2,521	-10		-2,531
Accumulated depreciation 31 December 2020	-29,061	-83	0	-29,144
Book value 31 December 2020	1,506	78	3,914	5,498

EUR 1,000	Intangible rights	Other intangible assets	Pre-payments	Total
Cost 1 May 2019	30,735	1,878	2,914	35,527
Increase	404		773	1,177
Decrease	-1,026	-1,802	-334	-3,161
Transfers between items	246		-246	0
Cost 31 December 2019	30,359	76	3,108	33,543
Accumulated depreciation 1 May 2019	-25,762	-369		-26,132
Accumulated depreciation on decrease and transfers	519	325		844
Depreciation for the period	-1,222	-28		-1,250
Impairment	-75			-75
Accumulated depreciation and impairment 31 December 2019	-26,540	-72	0	-26,613
Book value 31 December 2019	3,819	3	3,108	6,930

12. Tangible assets

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and unfinished acquisitions	Total
Cost 1 January 2020	28,876	22,200	162,121	300,598	18,194	531,989
Increase	81	223	2,861	-0	26,127	29,292
Decrease	-2,975		-90	-2,444	-418	-5,928
Transfers between items		29	106	7,685	-7,821	0
Cost 31 December 2020	25,982	22,452	164,997	305,839	36,082	555,353
Accumulated depreciation 1 January 2020	-520	-17,682	-133,318	-189,153		-340,673
Depreciation for the period		-1,156	-17,931	-93,158		-112,245
Impairment	-17					-17
Accumulated depreciation 31 December 2020	-537	-18,838	-151,250	-282,311		-452,935
Book value 31 December 2020	25,446	3,613	13,747	23,529	36,082	102,417

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and unfinished acquisitions	Total
Cost 1 May 2019	32,551	47,777	242,849	305,030	18,051	646,257
Increase	5	0	1,204		10,296	11,506
Decrease	-3,679	-25,606	-83,680	-8,975	-3,834	-125,774
Transfers between items		29	1,747	4,543	-6,320	0
Cost 31 December 2019	28,876	22,200	162,121	300,598	18,194	531,989
Accumulated depreciation 1 May 2019	-520	-29,145	-174,400	-157,308		-361,373
Depreciation for the period		-678	-6,080	-9,433		-16,190
Impairment		-13	-799	-24,332		-25,144
Accumulated depreciation 31 December 2019	-520	-17,682	-133,318	-189,153		-340,673
Book value 31 December 2019	28,357	4,518	28,802	111,445	18,194	191,316

13. Investments

EUR 1,000	Shares in Group companies	Shares in associates	Other shares and participations	Total
Cost 1 January 2020	148,539	102	470	149,111
Increase	144			144
Decrease, intra-Group mergers and acquisitions	-17,057			-17,057
Book value 31 December 2020	131,626	102	470	132,198
Cost 1 May 2019	152,897	648	2,487	156,032
Increase	919		1,741	2,660
Decrease, intra-Group mergers and acquisitions	-5,133	-546	-3,758	-9,437
Book value 31 December 2019	148,684	102	470	149,256

14. Inventories

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Materials and supplies	29,326	18,800
Finished products	99,402	102,146
Prepayments from inventories	1187	499
Total	129,914	121,446

15. Long-term receivables

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Receivables from Group companies		
Loan receivables	136,323	123,861
Loan receivables from others	3,183	3,183
Total	139,506	127,044

16. Short-term receivables

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Receivables from Group companies		
Sales receivables	4,719	5,402
Loan receivables	4,423	15,646
Accrued income	2	2,781
Receivables from associates		
Sales receivables	110	131
Receivables from others		
Sales receivables	23,167	22,329
Loan receivables	200	200
Accrued income	1,622	6,099
Other receivables	1,133	2,435
Total	35,377	55,022

Essential accrued income items

Allocated taxes	0	3,087
Other accrued income from sales	1,183	2,622
Other accrued income from expenses	439	390
Total	1,622	6,098

17. Shareholders' equity

Restricted equity

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Share capital	50,456	50,456
Restricted equity total	50,456	50,456

Unrestricted equity

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Other funds	30,096	30,096
Retained earnings at the start of the financial period	146,368	197,857
Dividend distribution	-3,990	-12,300
Profit for the period	-124,139	-39,189
Unrestricted equity total	48,335	176,464

Account of funds available for the distribution of profit

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Retained earnings	142,378	185,557
Profit/loss for the period	-124,139	-39,189
- capitalised development expenditure for unfinished	-2,390	-2,260
Distributable funds total	15,848	144,108

18. Mandatory provisions

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Provision due to environmental obligations	5,568	2,774
Total	5,568	2,774

19. Long-term liabilities

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Bonds	178,649	178,574
Hybrid bond	29,880	50,000
Loans from financial institutions	43,433	32,988
Connection fees	0	189
Total	251,963	261,751

20. Current liabilities

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Loans from financial institutions	624	23,911
Advances received	15,662	13,730
Accounts payable	63,003	45,784
Liabilities to Group companies:		
Accounts payable	1,925	630
Other liabilities	37,444	25,661
Accrued expenses	752	2,410
Liabilities to joint ventures:		
Other liabilities	265	246
Other liabilities	43,418	5,068
Accrued expenses	25,477	15,007
Total	188,570	132,446

Material items included in accrued expenses

Short-term interest liabilities	2,869	3,028
Accrued personnel expenses	3,916	3,653
Accrual of purchase invoices	18,692	8,325
Total	25,477	15,007

21. Contingent commitments

EUR 1,000	31 Dec. 2020	31 Dec. 2019
Other guarantees given on behalf of own commitments		
Guarantees	9,804	10,356
Contingent commitments on behalf of Group companies		
Guarantees	36,466	38,271
Lease obligations		
Due within the next one-year period	1,803	3,295
Due later	8,696	9,785
Total	10,499	13,080

Nominal and fair values of derivatives

EUR 1,000	31 Dec. 2020		31 Dec. 2019	
	Nominal value	Fair value	Nominal value	Fair value
Currency derivatives	83,848	-212	81,280	109
Electricity derivatives	5,108	-251	4,879	498
Emission right derivatives	476	178	2,218	915
Total	89,432	-285	88,376	1,522

Maturities of derivatives

MEUR	31 Dec. 2020		
	< 1 year	1-5 years	> 5 years
Income	86.6	2.2	0.0
Expenses	6.5	0.0	0.0
Total	93.1	2.2	0.0

The management of financial risks is described in more detail in note 27 to the consolidated financial statements.

The parent company has land lease agreements for peat production. At the end of the financial year, annual and land area-based lease liabilities totalled EUR 10.4 million.

Year of payment	Lease amount (based on 2020)	Number of agreements	Year of payment	Lease amount (based on 2020)	Number of agreements
2021	953,178	820	2041	94,396	53
2022	943,318	804	2042	73,700	46
2023	830,511	593	2043	67,389	41
2024	785,017	578	2044	65,924	39
2025	756,198	549	2045	47,002	34
2026	681,973	474	2046	45,087	30
2027	630,755	450	2047	37,707	25
2028	588,349	399	2048	36,653	21
2029	559,722	388	2049	31,501	19
2030	533,120	370	2050	30,224	18
2031	488,159	343	2051	29,771	17
2032	420,267	307	2052	25,374	9
2033	323,103	221	2053	25,163	8
2034	295,632	203	2054	25,163	8
2035	226,495	147	2055	15,534	7
2036	173,069	109	2056	15,534	7
2037	155,895	100	2057	10,780	6
2038	134,389	84	2058	10,780	6
2039	124,768	77	2059	10,780	6
2040	117,670	71	2060	10,780	6

Other financial liabilities

The company is obligated to revise its value added tax deductions for completed property investments if the taxable use of the property decreases during the period under review.

	Maximum liability EUR 1,000	Last review year
Investment completed in 2011	1	2020
Investment completed in 2012	0	2021
Investment completed 012013-042014	0	2022
Investment completed 052014-042015	0	2023
Investment completed 052015-042016	0	2024
Investment completed 052016-042017	0	2025
Investment completed 052017-042018	0	2026
Investment completed 052018-042019	0	2027
Investment completed 052019-122019	0	2028
Investment completed 012020-122020	0	2029
Total	1	

Principles for calculating key figures

EBITDA	Operating profit + Depreciations and impairment +/- Shares of associates' results
Working capital	Inventories + Non-interest-bearing receivables of businesses - Non-interest-bearing debt
Restricted capital	Fixed assets of businesses + Working capital
Turnover of restricted capital	$\frac{\text{Turnover rolling 12 months}}{\text{Restricted capital (on average) *}}$
Return on invested capital % (ROIC)	$\frac{\text{Operating profit rolling 12 months}}{\text{Restricted capital (on average) *}} \times 100$
Return on equity %	$\frac{\text{Profit before taxes rolling 12 months - income tax}}{\text{(Shareholders' equity + minority interest) on average *}} \times 100$
Liquidity	$\frac{\text{Short-term on-interest bearing receivables}}{\text{Short-term non-interest-bearing liabilities}}$
Equity ratio %	$\frac{\text{Shareholders' equity + minority interest + capital loan} \times 100}{\text{Balance sheet total - advances received}} \times 100$
Interest-bearing net debt	Interest-bearing debt - Interest-bearing loans receivable - Cash and cash equivalents
Gearing %	$\frac{\text{Interest-bearing net debt}}{\text{Shareholders' equity + minority interest}} \times 100$
Free cash flow before taxes	EBITDA +/- Change in working capital - net investments
Earnings/share	Profit attributable to owners of the parent company/Number of shares
Shareholders' equity/share	Parent company's shareholders' equity/Number of shares
Dividend/share	Distribution of dividend for the financial period/Number of shares
Dividend/profit %	100 * dividend/share / earnings/share

* the calculations are based on averages on 31 December 2020, 31 August 2020, 30 April 2020 and 31 December 2019

Group key figures 2017-2020

EUR million	04/2017	04/2018	04/2019	5-12/2019	12/2020
Turnover	392.1	419.8	460.8	297.7	544.9
Growth %	-5.0	7.1	9.8	32.4	2.1
Operating margin (EBITDA)	56.9	61.1	74.1	37.0	53.8
% of turnover	14.5	14.5	16.1	12.4	9.9
Depreciation	-35.6	-35.7	-41.5	-38.5	-47.2
Impairment	-2.4	-0.9	-0.2	-38.9	-102.8
Operating profit (EBIT)	20.0	26.3	33.3	-40.4	-95.3
% of turnover	5.1	6.3	7.2	-13.6	-17.5
Operating profit before impairment	22.4	27.2	33.5	-1.5	7.4
% of turnover	5.7	6.5	7.3	-0.5	1.4
Net financial items	-9.8	-6.0	-2.8	-7.8	-12.5
Profit/loss before taxes	10.2	20.3	30.5	-48.2	-107.8
Taxes	-2.0	-2.7	-5.3	8.0	-0.3
Profit/loss for the period	8.1	17.6	25.2	-40.2	-108.1
Return on invested capital %	3.0	4.3	5.4	-1.7	-14.0
Return on invested capital before impairment %	3.4	4.4	5.4	4.1	1.1
Restricted capital on average	656.9	613.2	620.8	676.4	680.9
Turnover of restricted capital (turnover/restricted capital on average)	0.6	0.7	0.7	0.8	0.8
Average working capital	138.1	112.6	122.8	144.8	125.5
Average working capital % of turnover	35.2	26.8	26.7	48.6	23.0
Restricted capital at the end of the year	633.9	578.9	691.8	677.9	704.4
Working capital at the end of the year	125.6	88.0	133.7	141.4	96.5

EUR million	04/2017	04/2018	04/2019	5-12/2019	12/2020
Gross investments	39.6	31.3	62.7	42.8	76.6
% of turnover	10.1	7.5	13.6	14.4	14.1
Gross investments/depreciation	1.1	0.9	1.5	1.1	1.6
Operating margin	56.9	61.1	74.1	37.0	53.8
+/- Change in working capital	14.7	37.6	-45.7	10.3	44.8
- Net investments	1.6	-25.0	-50.7	-26.3	-59.1
Free cash flow before taxes	73.2	73.6	-22.3	21.0	39.6
Balance sheet total	812.4	697.5	805.8	828.5	758.5
Shareholders' equity	339.7	347.9	404.0	348.5	207.4
Shareholders' equity (average)	313.0	341.8	360.8	374.9	309.7
Interest-bearing debt	368.5	242.6	277.0	324.9	344.4
Interest-bearing net debt	269.6	206.2	265.6	315.2	327.7
Equity ratio %	43.0	51.2	51.3	42.9	27.9
Gearing %	79.4	59.3	65.8	90.4	158.0
Interest-bearing net debt/operating margin	4.7	3.4	3.6	4.0	6.1
Liquidity	4.4	2.8	2.8	2.3	1.8
Return on equity %	2.6	5.2	7.0	-5.1	-34.9
Dividend distribution	4.0	7.3	12.3	12.3	4.0
Dividend % of profit *	49.3	41.1	48.7	-30.6	-3.7
Average number of employees	773	758	869	1 050	1 031
Key figures per share					
Number of shares	30,000	30,000	30,000	30,000	30,000
Earnings/share, EUR *	271	586	840	-1,320	-3,712
Shareholders' equity/share, EUR	11,311	11,583	12,208	10,261	5,517
Dividend/share, EUR	133	242	408	410	133

* = profit attributable to owners of the parent company

Signatures to the financial statements and the report of the Board of Directors

Vantaa, 4 March 2021 Board of Directors
of Vapo Oy

Jan Lång
Chair

Markus Tykkyläinen
Vice Chair

Stefan Damlin

Vesa Hätilä

Tuomas Hyyryläinen

Kirsi Puntila

Minna Smedsten

Maija Strandberg

Vesa Tempakka
CEO

Auditor's note

A report on the audit has been issued today.
Helsinki, 4 March 2021
KPMG Oy Ab

Ari Eskelinen
APA



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